



MEMORANDUM

TO: Beverly R. Cameron, City Manager
FROM: Mark Whitley, Assistant City Manager
RE: Ordinance Issuing Revenue Debt on Behalf of the Rappahannock Regional Solid Waste Management Board for Landfill Construction
DATE: September 16, 2015 (Revised Memorandum)

ISSUE

The City Council is asked to consider an ordinance that authorizes the City to apply to borrow funds and appropriates funds to the R-Board for the construction of Cell F2.

RECOMMENDATION

Staff recommends adoption of the attached ordinance on second reading. On September 8, 2015 City Council held a public hearing on this item. There was no testimony received. City Council approved the ordinance on first reading.

BACKGROUND

The City and Stafford County together own the Rappahannock Regional Solid Waste Management Board ("the R-Board.") The R-Board runs the landfill for the City and the County. Currently, solid waste is being disposed in Cell F1, which is rapidly running out of space. The R-Board has accepted bids and needs to authorize construction for Cell F2.

Total construction costs for the new cell is \$5,169,449, exclusive of engineering support during construction. The R-Board's cash reserves are such that approximately \$1 million can be contributed to this project. The R-Board's remaining cash reserves are set aside to meet closure and post-closure liabilities, plus an operating reserve. The R-Board would like to borrow slightly more than \$4 million to pay for the construction of the new cell.

The R-Board does not have the ability to borrow on its own – the City and / or the County must borrow on behalf of the R-Board. Stafford County has authorized the issuance of up to \$2.25 million in debt. The proposed ordinance authorizes the issuance of the same amount \$2.25 million. The interest costs are not to exceed 3.5%.

City Council authorized the City Manager to make an application to join the upcoming Virginia Resources Authority bond pool through Resolution 15-35, which was adopted on June 9, 2015. Staff has made the application, and the next stage in the process is to hold a public hearing, and

adopt an ordinance issuing the debt through the Virginia Resources Authority. The City must provide final authorization to participate in the pool by Friday, September 25, 2015.

The Virginia Resources Authority has released a term sheet. *After additional evaluation, and as advised at the last meeting, the financial advisor recommends the gross revenue pledge as the option on the Rate Covenant. The Financing Agreement reflects this option.*

The City has also received a financing agreement from the Virginia Resources Authority. The VRA plans to go to the bond market on or about November 4, 2015. Staff will report back to City Council concerning the final pricing and terms for the issuance after the bonds have been issued by VRA.

Other conditions include an agreement by the City not to withdraw from the R-Board for the period of the loan, and a covenant not to amend the operating agreement without the consent of the Virginia Resources Authority during the term of the loan.

As originally proposed, the term was scheduled to be seven years. However, after further evaluation, the new cell should last eight years, and the term of the loan is recommended to be the same. Payments would be due in April and in October of every year. The debt would be retired no later than October 1, 2024.

The Ordinance and the final draft of the Financing Agreement have been attached for review. The Financing Agreement has been amended by bond counsel to clarify the roles of the City, as the "Local Government" in the agreement, and the R-Board. There are also representations from the R-Board to the VRA incorporated into the document. The Ordinance remains the same. The term sheet is also attached for information only.

FISCAL IMPACT

The City must consent to the participation in the bond pool transaction for this fall by September 25, 2015. The costs of the debt are to be paid by the R-Board tipping fees, and the security for the bonds is the revenue from the R-Board. The principal amount does not count toward the City's general obligation legal debt limit.

The estimated debt service will be approximately \$700,000 per year, and the obligation would be split between the City and the County. The R-Board is responsible to pay the City the amount necessary to pay the debt service on the bonds. The R-Board will pay the debt service for the City and the County from their operating revenues. If at the end of the year there is an operating shortfall, the City and County are responsible for making up the deficit at the close of the year. The deficit is allocated based on its respective actual usage of the Landfill over the preceding 12-month period.

Attachments: Ordinance
 Financing Agreement
 Term Sheet

ORDINANCE NO. 15-21

ORDINANCE PROVIDING FOR ISSUANCE AND SALE OF A SOLID WASTE SYSTEM REVENUE BOND, SERIES 2015 OF THE CITY OF FREDERICKSBURG, VIRGINIA, IN AN AMOUNT NOT TO EXCEED \$2,250,000, AND THE FORM, DETAILS AND PAYMENT THEREOF

WHEREAS, the Rappahannock Regional Solid Waste Management Board (the “R-Board”) operates the Rappahannock Regional Landfill (the “Landfill”) under a Joint Powers Agreement between the City of Fredericksburg, Virginia (the “City”) and the County of Stafford, Virginia (the “County”), and the present operating landfill cell will be out of permitted capacity around the end of calendar year 2015, with construction of a new cell being necessary to avoid any interruption in solid waste disposal services for City and County residents, and the City and the County have agreed to share equally in the costs incurred in connection with the addition of the new cell, with the City’s share financed through the issuance of a City Solid Waste System Revenue Bond, Series 2015 (the “Bond”), with the debt service payments funded from fees, charges and other income received by the R-Board from customers of the Landfill;

WHEREAS, in accordance with Resolution No. 15-35, the City Manager, on behalf of the City, applied to the Virginia Resources Authority (“VRA”) for the purchase of the Bond, and, in accordance with its term sheet dated August 28, 2015 (the “Term Sheet”), a copy of which has been presented to this meeting, VRA has indicated its willingness to purchase such Bond from the proceeds of a series of its Infrastructure and State Moral Obligation Revenue Bonds (Virginia Pooled Financing Program) (the “VRA Bonds”), as more particularly defined in, and in accordance with the terms of, a Local Bond Sale and Financing Agreement, between VRA and the City to be dated September 25, 2015 (the “Financing Agreement”), a draft of which has been presented to this meeting;

WHEREAS, the Financing Agreement shall indicate that the City requested the sum of \$2,250,000 (or such other amount as may be requested in writing by the City and approved by VRA prior to the sale of the VRA Bonds) (the “Proceeds Requested”);

WHEREAS, VRA's objective is to pay the City a purchase price for the Bond which, in VRA's judgment, reflects its market value (the “VRA Purchase Price Objective”) taking into consideration the Proceeds Requested and such factors as the purchase price received by VRA for the VRA Bonds, the issuance costs of the VRA Bonds (consisting of the underwriters' discount and other costs incurred by VRA, collectively the “VRA Costs”), and other market conditions relating to the sale of the VRA Bonds;

WHEREAS, VRA has advised the City that the sale of the VRA Bonds is tentatively scheduled for November 4, 2015, but, subject to market conditions, may occur prior to or after such date, and, in the event the Bond is not purchased by VRA on the scheduled sale date, the Bond may be sold to VRA under substantially the same terms and conditions on such other date;

WHEREAS, such factors are expected to result in the City receiving a purchase price other than the par amount of the Bond and consequently (i) the aggregate principal amount of the

Bond may be greater than or less than the Proceeds Requested in order to receive an amount of proceeds that is substantially equal to the Proceeds Requested, or (ii) if the maximum authorized principal amount of the Bond set forth in paragraph 3 of this Ordinance does not exceed the Proceeds Requested by at least the amount of the VRA Costs and any original issue discount, the amount to be paid to the City, given the VRA Purchase Price Objective and market conditions, will be less than the Proceeds Requested; and

WHEREAS, in accordance with Section 15.2-2606 of the Code of Virginia of 1950, as amended (the “Virginia Code”), on September 8, 2015, the Council held a public hearing on the issuance of the Bond to finance the City’s share of the new landfill cell;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF FREDERICKSBURG, VIRGINIA, AS FOLLOWS:

1. **Authorization of Bond and Use of Proceeds.** The Council hereby determines that it is advisable to cause the City to contract a debt and to issue the Bond in an aggregate principal amount not to exceed \$2,250,000. The Bond shall be designated as the City of Fredericksburg, Virginia, Solid Waste System Revenue Bond, Series 2015. The issuance and sale of the Bond under the terms of this Ordinance is authorized. The proceeds from the issuance and sale of the Bond shall be used, along with other available City funds, if any, to (i) finance the Project, and (ii) pay the costs of issuing the Bond.

2. **Award and Sale to the Virginia Resources Authority.** The award and sale of the Bond to or at the direction of VRA is authorized. The Bond shall be delivered to or upon the order of VRA upon VRA's payment of the purchase price to be set forth in the Financing Agreement.

3. **Details of Bond.** The Bond shall be issued as a single fully registered bond. The Council authorizes the issuance and sale of the Bond on terms as shall be determined by VRA subject to VRA's Purchase Price Objective and market conditions described above; provided, however, the Bond (i) shall be in an aggregate principal amount of the Bond not to exceed \$2,250,000, (ii) shall have a true interest cost not to exceed 3.50% (exclusive of Supplemental Interest (as defined in the Financing Agreement)), (iii) shall have a final maturity not later than 10 years from the date of issuance, and (iv) shall be subject to prepayment upon the terms set forth in the Financing Agreement. Subject to the preceding terms, the Council further authorizes the City Manager to accept the final terms presented by VRA, including (a) the final principal amount of the Bond and (b) the amortization schedule (including the principal installment dates and amounts) for the Bond.

If the limitation on the maximum aggregate principal amount of the Bond set forth in this paragraph 3 restricts VRA's ability to generate the Proceeds Requested, taking into account the VRA Costs, the VRA Purchase Price Objective and market conditions, the City Manager is authorized to accept a purchase price for the Bond at an amount less than the Proceeds Requested.

As set forth in the Financing Agreement, the City agrees to pay such “supplemental interest” and other charges as provided therein, including such amounts as may be necessary to maintain or replenish a VRA Reserve. The principal amount of and premium, if any, and interest on the Bond shall be payable in lawful money of the United States of America.

4. **Payments under Financing Agreement.** The City agrees to pay all amounts required by Section 6.1 of the Financing Agreement, including any “Supplemental Interest,” as provided in such section.

5. **Redemption of Bond.** The principal of and premium, if any, and interest on the Bond shall be payable as set forth in the Bond and the Financing Agreement. The City may, at its option, redeem, prepay or refund the Bond upon the terms set forth in the Financing Agreement.

6. **Pledge of Revenues; Other Security Provisions.** Principal of, premium, if any, and interest on the Bond shall be payable as provided in the Bond and in the Financing Agreement in lawful money of the United States of America, but solely from the revenues of the Landfill (as defined in the Financing Agreement, “Revenues”), except to the extent such payment shall be made from the proceeds of the Bond, certain escrow trust funds that may be established with respect to the Bond, the income, if any, derived from the investment thereof or the sources provided below. The Revenues are hereby pledged upon the terms and conditions described in the Term Sheet as set forth in the Financing Agreement to secure the payment of the principal of and premium, if any, and interest on the Bond and the payment and performance of the City's obligations under the Financing Agreement.

Nothing in the Bond, the Financing Agreement or this Ordinance shall be deemed to constitute a pledge of the faith and credit of the Commonwealth of Virginia (the “Commonwealth”) or any of its political subdivisions, including the City. The issuance of the Bond shall not directly, indirectly or contingently obligate the Commonwealth or any of its political subdivisions, including the City, to pledge its faith and credit or levy any taxes for the payment of the principal of or premium, if any, and interest on the Bond or other costs incident to them or make any appropriation for their payment except from the Revenues and other funds pledged for such purpose under the provisions of the Bond, the Financing Agreement and this Ordinance.

Hereby specifically approved for inclusion in the Financing Agreement is the provision providing that VRA may take action to the extent permitted by law pursuant to Sections 15.2-2659 and 62.1-216.1 of the Virginia Code, commonly referred to as the “state-aid intercept.”

7. **Term Sheet and Approval of Financing Agreement.** The Term Sheet is acknowledged and the Financing Agreement is approved in substantially the form presented to this meeting, with such changes, insertions or omissions as may be approved by the City Manager whose approval shall be evidenced conclusively by the execution and delivery of the Financing Agreement on the City's behalf. The City Manager is authorized to execute and deliver the Financing Agreement and such other documents and certificates as such officer may consider necessary in connection therewith.

The actions of the City Manager in accepting the final terms of the Financing Agreement and the Bond shall be conclusive, and no further action shall be necessary on the part of the Council.

8. **Form, Execution and Delivery of the Bond.** The Bond shall be issued as a typewritten bond in substantially the form of Exhibit A attached hereto with such variations, insertions, or deletions as may be approved by the City Manager. The Mayor or Vice Mayor is authorized and directed to execute the Bond and the City Clerk or Deputy City Clerk is authorized and directed to affix the seal of the City thereon and to attest such seal. Such officers are further authorized and directed to deliver the Bond to or at the direction of VRA upon payment of the purchase price set forth in the Financing Agreement. The City Manager's approval or determination of all of the details and provisions of the Bond that have been authorized and/or directed to be approved or determined in accordance with this Ordinance shall be evidenced conclusively by the execution and delivery of the Bond on the City's behalf.

9. **Registration, Transfer and Exchange.** The Director of Fiscal Affairs is hereby appointed as the City's registrar and transfer agent (the "Registrar") to keep books for the registration and transfer of the Bond, to authenticate the Bond and to make such registrations and transfers under such reasonable regulations as the Council may prescribe.

Upon surrender for transfer or exchange of the Bond at the office of the Registrar, the applicable City officials shall execute and deliver in the name of the transferee or transferees a new Bond in a principal amount equal to the Bond surrendered and of the same form and maturity and bearing interest at the same rate or rates as the Bond surrendered. If presented for transfer, exchange, redemption or payment, the Bond shall be accompanied by a written instrument or instruments of transfer or authorization for exchange, in form and substance reasonably satisfactory to the Registrar, duly executed by the registered owner or by his or her duly authorized attorney-in-fact or legal representative. No Bond may be registered to bearer.

A new Bond delivered upon any transfer or exchange shall be a valid limited obligation of the City, evidencing the same debt as the Bond surrendered and shall be secured by and entitled to all of the security and benefits of this Ordinance and the Financing Agreement to the same extent as the Bond surrendered.

10. **Preparation of Printed Bond.** The City shall initially issue the Bond in typewritten form. Upon request of the registered owner and upon presentation of the Bond at the office of the Registrar, the City shall arrange to have prepared, executed and delivered in exchange as soon as practicable the Bond in printed form in an aggregate principal amount equal to the unpaid principal of the Bond in typewritten form, in denominations of \$5,000 and multiples thereof, of the same form and maturity and registered in such names as requested by the registered owners or their duly authorized attorneys or legal representatives. The printed Bond may be executed by manual or facsimile signature of the Mayor or Vice Mayor, and the City's seal is to be affixed thereto and attested by the City Clerk or Deputy City Clerk; provided, however, that if both such signatures are facsimiles, no Bond shall be valid until it has been authenticated by the manual signature of the Registrar and the date of authentication noted thereon. The typewritten Bond surrendered in any such exchange shall be canceled.

11. **Charges for Exchange or Transfer.** No charge shall be made for any exchange or transfer of a Bond, but the Registrar may require payment by the registered owner of the Bond of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto.

12. **Mutilated, Lost, Stolen or Destroyed Bond.** If a Bond has been mutilated, lost, stolen or destroyed, the applicable City officials shall execute and deliver a new Bond of like date and tenor in exchange and substitution for, and upon delivery to the Registrar and cancellation of, such mutilated Bond, or in lieu of and in substitution for such lost, stolen or destroyed Bond; provided, however, that the City shall execute, authenticate and deliver a new Bond only if the registered owner thereof has paid the reasonable expenses and charges of the City in connection therewith and, in the case of a lost, stolen or destroyed Bond (i) has filed with the Registrar evidence satisfactory to him or her that such Bond was lost, stolen or destroyed and that the holder of the Bond was the registered owner thereof and (ii) has furnished to the City indemnity satisfactory to the Registrar. If the Bond has matured, instead of issuing a new Bond, the City may pay the same without surrender thereof upon receipt of the aforesaid evidence and indemnity.

13. **Disclosure Documents.** The City authorizes and consents to the inclusion of information with respect to the City to be contained in VRA's Preliminary Official Statement and VRA's Official Statement in final form, both prepared in connection with the sale of the VRA Bonds, a portion of the proceeds of which will be used to purchase the Bond. If appropriate, such disclosure documents shall be distributed in such manner and at such times as any of them shall determine. The City Manager is authorized and directed to take whatever actions are necessary and/or appropriate to aid VRA in ensuring compliance with Securities and Exchange Commission Rule 15c2-12.

14. **Tax Documents.** The City Administrator and the Director of Finance, either of whom may act, are authorized to execute a Nonarbitrage Certificate and Tax Compliance Agreement or any related document (the "Tax Documents") setting forth the expected use and investment of the proceeds of the Bond and containing such covenants as may be necessary in order for the VRA Bonds to comply with the provisions of the Internal Revenue Code of 1986, as amended (the "Tax Code"), including the provisions of Section 148 of the Tax Code and applicable regulations relating to "arbitrage bonds." The City covenants that the proceeds from the issuance and sale of the Bond will be invested and expended as set forth in the Tax Documents, to be delivered simultaneously with the issuance and delivery of the Bond and that the City shall comply with the other covenants and representations contained therein.

15. **SNAP Investment Authorization.** The City has heretofore received and reviewed the Information Statement (the "Information Statement") describing the State Non-Arbitrage Program of the Commonwealth ("SNAP") and the Contract Creating the State Non-Arbitrage Program Pool I (the "Contract"), and the City has determined to authorize the Director of Fiscal Affairs, and/or acknowledge and consent to the trustee for the VRA Bonds, to utilize SNAP in connection with the investment of the proceeds of the Bond. The City acknowledges the Treasury Board of the Commonwealth is not, and shall not be, in any way liable to the City in connection with SNAP, except as otherwise provided in the Contract.

16. **Further Actions; Authorized Representative.** All officers and agents of the Council and the City are authorized and directed to take such further actions in conformity with the purpose and intent of this Ordinance as may be necessary or appropriate in connection with the issuance and sale of the Bond, and the execution, delivery and performance of the Financing Agreement, including the execution and delivery on behalf of the City of such instruments, documents or certificates as necessary or appropriate to carry out the transactions contemplated by this Ordinance. All actions previously taken by such officers and agents in connection with the issuance and sale of the Bond are ratified and confirmed. The City Manager is designated the City's Local Representative for purposes of the Financing Agreement.

17. **Filing of Ordinance.** The City Attorney is authorized and directed to file a certified copy of this Ordinance with the Circuit Court of the City of Fredericksburg pursuant to Sections 15.2-2607, 15.2-2627 and 15.2-2653 of the Virginia Code.

18. **Repeal of Conflicting Ordinances.** All Ordinances are repealed to the extent they are inconsistent with this Ordinance.

19. **Effective Date.** This Ordinance shall take effect immediately.

Approved as to form:

Kathleen Dooley, City Attorney

First Reading:_____

Second Reading:_____

At a regular meeting of the City Council of the City of Fredericksburg, Virginia, held on the ____ day of September, 2015, at which the following members were present and absent:

PRESENT:

ABSENT:

Ordinance No. 15-____ entitled "Ordinance Providing for Issuance and Sale of a Solid Waste System Revenue Bond, Series 2015 of the City of Fredericksburg, Virginia, in an Amount Not to Exceed \$2,250,000, and the Form, Details and Payment Thereof" was adopted by the affirmative roll call vote of a majority of all members of the Council, the ayes and nays being recorded in the minutes of the meeting as shown below:

Member

Vote

The undersigned City Clerk of the City of Fredericksburg, Virginia, certifies that the following ordinance constitutes a true and correct extract from the minutes of a regular meeting of the Council held on the ____ day of September, 2015, and of the whole thereof so far as applicable to the matters referred to in such extract, adopted by the foregoing vote at such meeting at which the foregoing members were present and absent.

WITNESS my signature and the seal of the City of Fredericksburg, Virginia, this ____ day of _____, 2015.

(SEAL)

City Clerk, City of Fredericksburg
Virginia

EXHIBIT A

(BOND FORM)

REGISTERED

REGISTERED

No. R-__

\$_____

UNITED STATES OF AMERICA

COMMONWEALTH OF VIRGINIA

CITY OF FREDERICKSBURG

SOLID WASTE SYSTEM REVENUE BOND, SERIES 2015

INTEREST RATE

DATED DATE

_____%

_____, 2015

REGISTERED OWNER: VIRGINIA RESOURCES AUTHORITY

PRINCIPAL AMOUNT:

The **CITY OF FREDERICKSBURG, VIRGINIA** (the "City"), for value received, promises to pay, upon surrender hereof at the office of the Director of Fiscal Affairs of the City (the "Registrar"), to the registered owner hereof, initially Virginia Resources Authority ("VRA"), or registered assigns or legal representative (the "Registered Owner"), the principal amount stated above in annual installments in the amounts and on the dates set forth in Schedule I attached hereto, and to pay interest hereon semiannually on each April 1 and October 1, beginning _____ 1, 201__, at the annual interest rates set forth in Schedule I. Interest, calculated on a 30 day month / 360 day year basis, is payable (a) from the dated date set forth above, if this bond is authenticated prior to _____ 1, 201__, or (b) otherwise from the _____ 1 or _____ 1 that is, or immediately precedes, the date on which this bond is authenticated (unless payment of interest hereon is in default, in which case this bond shall bear interest from the date to which interest has been paid).

If any installment of principal of and interest on this bond is not paid to the registered owner of this bond within ten days after its due date, the City shall pay to the Registered Owner a late payment charge in an amount equal to five percent (5%) of the overdue installment.

Subject to the provisions of the Local Bond Sale and Financing Agreement dated as of September 25, 2015 (the "Financing Agreement"), between VRA and the City, so long as this bond is held by or for the account of VRA or its registered assigns or legal representative, interest is payable by (i) check or draft mailed to the Registered Owner of this bond at the address that

appears on the 15th day of the month preceding each interest payment date on the registration books kept by the City Director of Fiscal Affairs, who has been appointed bond registrar and paying agent (the “Registrar”), or (ii) wire transfer pursuant to the most recent wire instructions received by the Registrar from such registered owner, except that the final payment is payable upon presentation and surrender of this bond at the office of the Registrar. Principal of and premium, if any, and interest on this bond shall be payable in lawful money of the United States of America. In case the payment date on this bond shall not be a Business Day (as defined below), then payment of principal, premium, if any, and interest need not be made on such date, but may be made on the next succeeding Business Day, and, if made on such next succeeding Business Day, no additional interest shall accrue for the period after such payment date. “Business Day” means any Monday, Tuesday, Wednesday, Thursday or Friday on which commercial banking institutions generally are open for business in New York and Virginia.

The bond is issuable as a fully registered bond in the denomination of the principal amount thereof. Upon surrender of this bond at the office of the Registrar, together with an assignment duly executed by the registered owner or his duly authorized attorney or legal representative in such form as shall be satisfactory to the Registrar, the City shall execute, and the Registrar shall authenticate and deliver in exchange, a new bond or bonds having an equal aggregate principal amount, in authorized denominations, of the same form and maturity, bearing interest at the same rate, and registered in names as requested by the then registered owner hereof or his duly authorized attorney or legal representative, all subject to the limitations and conditions provided in the ordinance providing for the issuance of the bonds. Any such exchange shall be at the expense of the City, except that the Registrar may charge the person requesting such exchange the amount of any tax or other governmental charge required to be paid with respect thereto, other than taxes or governmental charges of the City.

This bond is issued pursuant to the Constitution and statutes of the Commonwealth of Virginia (the “Commonwealth”), including the Public Finance Act of 1991, and an ordinance adopted by the City Council on September ___, 2015, to finance the City’s portion of the costs of a new landfill cell at the Rappahannock Regional Landfill and costs of issuing the bond.

Subject to the City’s right to apply Revenues (as defined in the Financing Agreement) to the payment of Operation and Maintenance Expenses (as defined in the Financing Agreement), Revenues are pledged to the payment of principal of and premium, if any, and interest on this bond and the payment and performance of the City’s obligations under the Financing Agreement. Additional bonds secured on a parity as to the pledge of the Revenues with this bond may be issued on terms provided in the Financing Agreement.

If any failure of the City to pay all or any portion of any required payment of the principal of or premium, if any, or interest on this bond results in a withdrawal from any VRA Reserve (as defined in the Financing Agreement), the interest rates applicable to this bond shall be increased to interest rates sufficient to reimburse the VRA Reserve for any foregone investment earnings and/or pay any interest, fees or penalties assessed as a result of the drawing on the VRA Reserve. The increment of interest payable pursuant to the increase in rates shall be referred to as “Supplemental Interest.” The term “interest” as used in this bond shall include Supplemental Interest, when and if payable. The City’s obligation to pay Supplemental Interest shall commence

on the date of VRA's withdrawal of funds from the VRA Reserve occasioned by the City's failure to pay a required payment or portion thereof as described above (the "Supplemental Interest Commencement Date"). The City's obligation to pay Supplemental Interest shall terminate on the date on which the City remedies such failure to pay by making all payments required but outstanding since the date of such failure to pay (the "Supplemental Interest Termination Date"). From the Supplemental Interest Commencement Date to the Supplemental Interest Termination Date, Supplemental Interest shall be due and payable on the regularly scheduled interest payment dates provided for in this bond. As soon as reasonably possible after the Supplemental Interest Commencement Date and before the next regularly scheduled interest payment date provided for in this bond, VRA shall deliver to the City a certificate as to the increase in interest rates and the amount of Supplemental Interest. The certificate shall set forth in reasonable detail the basis for the increase in interest rates and the manner of calculation of the increase and the amount of Supplemental Interest. Such certificate shall be conclusive (absent manifest error) as to the interest rate increase and amount of Supplemental Interest set forth therein. In determining the interest rate increase and the amount of Supplemental Interest, VRA may use any reasonable averaging and attribution methods.

This bond may be redeemed, prepaid or refunded at the option of the City upon the terms set forth in the Financing Agreement.

The Registrar shall treat the registered owner as the person exclusively entitled to payment of principal and interest and the exercise of all other rights and powers of the owner, except that interest payments shall be made to the person shown as owner on the registration books on the first day of the month of such interest payment date.

All acts, conditions and things required by the Constitution and statutes of the Commonwealth to happen, exist or be performed precedent to and in the issuance of this bond have happened, exist and have been performed, and this bond, together with all other indebtedness of the City, is within every debt and other limit prescribed by the Constitution and statutes of the Commonwealth.

This bond shall not be valid until the Registrar shall have executed the Certificate of Authentication appearing hereon and inserted the date of authentication hereon.

IN WITNESS WHEREOF, the City of Fredericksburg, Virginia, has caused this bond to be signed by the signature of its Mayor, its seal to be affixed or printed hereon and attested by its City Clerk, and this bond to be dated the dated date set forth above.

(FORM)

Mayor,
City of Fredericksburg, Virginia

(SEAL)

ATTESTED:

(FORM)

City Clerk,
City of Fredericksburg, Virginia

CERTIFICATE OF AUTHENTICATION

Date Authenticated: _____

This bond is the bond described in the within-mentioned ordinance.

Director of Fiscal Affairs of the City, as Registrar

By: (FORM)
 Authorized Officer

ASSIGNMENT

FOR VALUE RECEIVED the undersigned sell(s), assign(s) and transfer(s) unto

(Please print or type name and address, including postal zip code, of Transferee)

PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF TRANSFeree:

: :
: :
: :

the within bond and all rights thereunder, irrevocably constituting and appointing

_____,
Attorney, to transfer said bond on the books kept for the registration thereof, with full power of
substitution in the premises.

Dated: _____

Registered Owner

NOTICE: The signature above must correspond with
the name of the registered owner as it appears on the
front of this bond in every particular, without alteration
or enlargement or any change whatsoever.

Signature Guaranteed:

NOTICE: Signature(s) of the transferor
of this bond must be guaranteed by
an institution participating in the
Securities Transfer Agent Medallion
Program ("STAMP") or similar program.

Please affix signature guarantee ink stamp below with appropriate signature, title of officer and date:

_____.

**SCHEDULE I TO
CITY OF FREDERICKSBURG, VIRGINIA
SOLID WASTE SYSTEM REVENUE BOND
SERIES 2015**

Principal Installment <u>Number</u>	Principal Installment <u>Amount</u>	Principal Installment <u>Due Date</u>	Interest <u>Rate</u>
--	--	--	---------------------------------

[to be completed after pricing of VRA Bonds]

LOCAL BOND SALE AND FINANCING AGREEMENT

Between

VIRGINIA RESOURCES AUTHORITY

and

CITY OF FREDERICKSBURG, VIRGINIA

Dated as of September 25, 2015

**Virginia Resources Authority
Infrastructure and State Moral Obligation Revenue Bonds
(Virginia Pooled Financing Program)
Series 2015[C][D]**

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LOCAL BOND SALE AND FINANCING AGREEMENT

This **LOCAL BOND SALE AND FINANCING AGREEMENT** is dated as of September 25, 2015, and is between the **VIRGINIA RESOURCES AUTHORITY**, a public body corporate and a political subdivision of the Commonwealth of Virginia ("VRA"), the **CITY OF FREDERICKSBURG, VIRGINIA**, a municipal corporation of the Commonwealth of Virginia (the "Local Government") and the **RAPPAHANNOCK REGIONAL SOLID WASTE MANAGEMENT BOARD**, a public body corporate and politic of the Commonwealth of Virginia (the "R-Board").

A. VRA intends to issue its Related Series of VRA Bonds, as hereinafter defined, and to use a portion of the proceeds thereof to acquire from the Local Government the Local Bond, as hereinafter defined.

B. VRA, the Local Government and the R-Board wish to set forth herein certain terms, conditions and provisions related to the purchase of the Local Bond, the application of the proceeds thereof, the payment of the debt service thereon and the security therefor, and the use and maintenance of the Related Financed Property, as hereinafter defined.

NOW, THEREFORE, VRA, the Local Government and the R-Board agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Definitions. Each capitalized term contained in this Agreement has the meaning set forth below:

"2015[C][D] Acquisition Fund" has the meaning set forth in the Related Supplemental Series Indenture.

"Act" means the Virginia Resources Authority Act, Chapter 21, Title 62.1 of the Code of Virginia of 1950, as amended.

"Agreement" means this Local Bond Sale and Financing Agreement dated the date first written above, between VRA, the Local Government and the R-Board, as modified, altered, amended or supplemented in accordance with the terms hereof.

"Annual Budget" means the budget of the System for each Fiscal Year.

"Business Day" means any day on which commercial banking institutions are generally open for business in New York, New York and Richmond, Virginia.

"Closing Date" means November 18, 2015 or such other date as may be determined by VRA.

"Consulting Engineer" means the Local Engineer or the Outside Engineer.

"Effective Date" means September 25, 2015.

"Event of Default" has the meaning set forth in Section 10.1.

"Existing Parity Bonds" has the meaning set forth in Section 2.2(n).

"Financing Parameters" means the parameters established by the governing body of the Local Government regarding the terms and conditions of the Local Bond, which may include a maximum par amount, maximum "true" interest cost or targeted savings.

"Fiscal Year" means the 12-month period beginning July 1 of one year and ending on June 30 of the following year, or if the Local Government has established another 12-month period as its annual accounting period such other 12-month period.

"Government Obligations" means direct obligations of, or obligations the payment of the principal of and interest on which is unconditionally guaranteed by, the United States of America.

"Interjurisdictional Agreement" means the Assignment, Pledge and Security Agreement to be dated as of November 1, 2015, by and among the Local Government, Stafford County and the R-Board, which sets forth the parties' respective rights and duties with respect to the Project.

"Local Account" means the local account established for the Local Bond within the 2015[C][D] Acquisition Fund.

"Local Authorization" means the ordinance adopted on September 22, 2015, by a majority of the members of the governing body of the Local Government approving (i) the transactions contemplated by and authorizing the execution and delivery of the Local Bond Documents and (ii) the execution, issuance and sale of the Local Bond subject to the Financing Parameters.

"Local Bond" means the Local Government's Solid Waste System Revenue Bond, Series 2015, issued in the original principal amount set forth in Schedule 1.1, as such bond may be amended or modified.

"Local Bond Documents" means this Agreement and the Local Tax Document.

"Local Engineer" means an officer or employee of the Local Government, Stafford County or the R-Board so designated in writing by a Local Representative, which officer or employee (i) is licensed as a professional engineer in Virginia, (ii) has recognized standing and experience in the field of solid waste management engineering and (iii) is subject to VRA's reasonable approval.

"Local Government" means the City of Fredericksburg, Virginia.

"Local Representative" means (i) the chair or vice chair of the governing body of the Local Government, Stafford County or the R-Board, (ii) the chief executive officer of the Local

Government, Stafford County or the R-Board and (iii) any other official or employee of the Local Government, Stafford County or the R-Board authorized by ordinance of the governing body of the Local Government, Stafford County or the R-Board to perform the act or sign the document in question.

"Local Tax Document" means the Nonarbitrage Certificate and Tax Compliance Agreement dated the Closing Date, between the Local Government and VRA, as modified, altered, amended and supplemented.

"Master Indenture" means the Master Indenture of Trust dated as of December 1, 2003, between VRA and the Trustee, as modified, altered, amended and supplemented in accordance with its terms.

"Operational Agreement" means the Amended and Restated Operational Agreement for the Stafford-Fredericksburg Regional Landfill dated January 24, 2000, between the Local Government and Stafford County, which provided for the joint operation of the Stafford-Fredericksburg Regional Landfill by the Local Government and Stafford County and established the R-Board.

"Operation and Maintenance Expenses" means the costs of operating and maintaining the System determined under generally accepted accounting principles, exclusive of (i) interest on any debt payable from Revenues, (ii) depreciation and other items not requiring the expenditure of cash, (iii) any amounts expended for capital replacements, repairs and maintenance not recurring either annually or biannually, depending on the customary practice of performing operation and maintenance, or reserves therefor, and (iv) reserves for administration, operation and maintenance occurring in the normal course of business.

"Outside Engineer" means a firm of independent consulting engineers with recognized standing in the field of solid waste management engineering and licensed as professional engineers in Virginia that the Local Government, Stafford County or the R-Board designates in writing, subject to VRA's reasonable approval.

"Parity Bonds" means any bonds and other obligations of the Local Government secured by a pledge of Revenues on a parity with the lien of the pledge of Revenues that secures the Local Bond.

"Parity Debt" means any of the Local Government's Parity Bonds, including the Local Bond.

"Proceeds Requested" means \$2,250,000, or such other amount requested in writing by the Local Government and approved by VRA prior to the Sale Date.

"Project" means the project described in Exhibit B.

"Project Budget" means the budget for the Project set forth in Schedule 1.1.

"Project Costs" means the costs of the Project to the extent such costs are included in the definition of "cost" set forth in Section 62.1-199 of the Act, and includes the refunding of

obligations of VRA or the Local Government issued to finance or refinance "costs" set forth in Section 62.1-199 of the Act.

"Purchase Price" has the meaning set forth in Schedule 1.1 and represents the amount received by the Local Government from the sale of the Local Bond to VRA. The Purchase Price of the Local Bond will be determined by adding to or subtracting from the portion of the par amount of the Related Portion of VRA Bonds the Local Government's share of the net original issue premium or discount on the Related Series of VRA Bonds and by subtracting from the par amount of the Related Portion of VRA Bonds the Local Government's share of VRA's expenses as set forth in Section 3.2 and the Local Government's share of the deposit on the Closing Date to any applicable VRA Reserve. It is acknowledged that the Purchase Price does not include any accrued interest on the Local Bond from its dated date to the Closing Date.

"Qualified Independent Consultant" means an independent professional consultant having the skill and experience necessary to provide the particular certificate, report or approval required by the provision of this Agreement in which such requirement appears, including without limitation an Outside Engineer, and an independent certified public accountant or firm of independent certified public accountants; provided, however, all Qualified Independent Consultants are subject to the reasonable approval of VRA.

"R-Board" means the Rappahannock Regional Solid Waste Management Board, whose members include the Local Government and Stafford County.

"Registrar" means the officer or employee of the Local Government designated under the Local Authorization to maintain the registration books for the Local Bond.

"Related Financed Property" means the land, building, equipment and other property, the acquisition, construction, renovation, or equipping of which was financed by the Local Bond as part of the Project.

"Related Portion of VRA Bonds" means the portion of the Related Series of VRA Bonds allocable to the Local Bond (as determined by VRA), including any bonds issued by VRA to refund such Related Series of VRA Bonds in whole or in part.

"Related Series of VRA Bonds" means the Virginia Resources Authority Infrastructure and State Moral Obligation Revenue Bonds (Virginia Pooled Financing Program), Series 2015[C][D] (or such other series of Infrastructure and State Moral Obligation Revenue Bonds (Virginia Pooled Financing Program that is specified in Schedule 1.1), in the original aggregate principal amount set forth in Schedule 1.1, and, unless the Local Government receives notice to the contrary from VRA, any bonds issued by VRA to refund the Related Series of VRA Bonds in whole or in part.

"Related Supplemental Series Indenture" means the [Thirty-Third][Thirty-Fourth] Supplemental Series Indenture of Trust dated as of November 1, 2015, between VRA and the Trustee, as modified, altered, amended and supplemented in accordance with its terms and those of the Master Indenture.

"Revenue Fund" has the meaning set forth in the Master Indenture.

"Revenues" means (i) all rates, fees, rentals, charges and other income properly allocable to the System under generally accepted accounting principles or resulting from the Local Government's, Stafford County's and/or the R-Board's, as applicable, ownership or operation of the System and all rights to receive the same, whether now existing or hereafter coming into existence (including amounts appropriated for and paid to the Local Government by Stafford County or the R-Board under the Interjurisdictional Agreement and the Operational Agreement), exclusive of user and other deposits subject to refund until such deposits have become the Local Government's property, (ii) the proceeds of any insurance covering business interruption loss relating to the System, (iii) interest on any money or securities related to the System held by or on behalf of the Local Government and (iv) any other income from other sources now or hereafter pledged or specifically made available by or on behalf of the Local Government to or for the payment of Operation and Maintenance Expenses or debt service on the Local Bond.

"Sale Date" means November 4, 2015, or such other date specified in Schedule 1.1.

"Subordinate Debt" means obligations of the Local Government secured by a pledge of Revenues expressly made subordinate to the pledge securing the Local Bond and any other Parity Bonds, and any obligations to make deposits related to reserve funds, rebate funds and similar funds or accounts established for the benefit of the Local Bond or any other Parity Bonds.

"Supplemental Interest" has the meaning set forth in Section 6.1.

"Stafford County" means the County of Stafford, Virginia including its Board of Supervisors.

"System" means all plants, systems, facilities, equipment or property owned by the Local Government and/or Stafford County and operated or maintained by the R-Board at the Rappahannock Regional Landfill located in the County of Stafford, Virginia and used in connection with the collection, management, disposal, incineration, storage, recycling or conversion into energy of solid waste, as the same may exist from time to time, and includes the Related Financed Property.

"Trustee" means U.S. Bank National Association, Richmond, Virginia, as trustee under the Master Indenture and the Related Supplemental Series Indenture, or its successors serving in such capacity.

"Virginia SNAP" means the Commonwealth of Virginia State Non-Arbitrage Program.

"VRA" means the Virginia Resources Authority, a public body corporate and a political subdivision of the Commonwealth of Virginia.

"VRA Bonds" means the Related Series of VRA Bonds and any additional bonds issued under the Master Indenture.

"VRA Reserve" means any one or more of the Capital Reserve Fund, the Infrastructure Debt Service Reserve Fund, the Operating Reserve Fund, a CRF Credit Facility or an Infrastructure Revenue DSRF Facility, each as defined in the Master Indenture.

Section 1.2 Rules of Construction. The following rules apply to the construction of this Agreement unless the context requires otherwise:

- (a) Singular words connote the plural number as well as the singular and vice versa.
- (b) Words importing the redemption or calling for redemption of the Local Bond do not refer to or connote the payment of the Local Bond at its stated maturity.
- (c) All references in this Agreement to particular Articles, Sections or Exhibits are references to Articles, Sections or Exhibits of this Agreement unless otherwise indicated.
- (d) The headings and table of contents as used in this Agreement are solely for convenience of reference and do not constitute a part of this Agreement and do not affect its meaning, construction or effect.

ARTICLE II

REPRESENTATIONS

Section 2.1 Representations by VRA. VRA represents to the Local Government as follows:

- (a) VRA is a duly created and validly existing public body corporate and political subdivision of the Commonwealth of Virginia vested with the rights and powers conferred upon it under the Act.
- (b) VRA has full right, power and authority to (i) issue, sell and deliver the Related Series of VRA Bonds, (ii) direct the Trustee to use a portion of the proceeds of the Related Series of VRA Bonds to purchase the Local Bond from the Local Government as contemplated under the Related Supplemental Series Indenture and this Agreement and (iii) carry out and consummate all other transactions contemplated by this Agreement.
- (c) VRA has duly authorized, executed and delivered this Agreement, and this Agreement constitutes a legal, valid and binding obligation of VRA enforceable against VRA in accordance with its terms.

Section 2.2 Representations by the Local Government. The Local Government represents to VRA as follows:

- (a) The Local Government is a duly created and validly existing Virginia "local government" (as defined in Section 62.1-199 of the Act) and is vested with the rights and powers conferred upon it by Virginia law.
- (b) The Local Government has full right, power and authority to (i) adopt the Local Authorization and execute and deliver the Local Bond Documents, the Interjurisdictional Agreement, the Operational Agreement and all related documents, (ii) issue, sell and deliver its

Local Bond to the Trustee on behalf of VRA, (iii) own its allowable portion of the System in accordance with the Operational Agreement, (iv) undertake the Project as a member of the R-Board and (v) carry out and consummate all of the transactions contemplated by the Local Authorization, the Local Bond, the Local Bond Documents, the Interjurisdictional Agreement and the Operational Agreement.

(c) The Local Authorization authorized the execution and delivery of this Agreement, and this Agreement is in substantially the same form as presented to the Local Government's governing body at its meeting at which the Local Authorization was adopted. The Local Authorization was filed in the Circuit Court of the City of Fredericksburg, Virginia on _____, 2015.

(d) The Local Government has obtained all governmental certificates, authorizations and approvals required to have been obtained as of the Effective Date for (i) adoption of the Local Authorization, (ii) execution and delivery of the Local Bond Documents and the Local Bond, the Interjurisdictional Agreement and the Operational Agreement, (iii) performance of its obligations under the Local Bond Documents, the Local Bond, the Interjurisdictional Agreement and the Operational Agreement, (iv) the undertaking of the Project by the R-Board, and (v) the use of the System. The Local Government knows of no reason why any such required governmental certificates, authorizations or approvals not required to be obtained by the Effective Date cannot be obtained as required in the future.

(e) The Local Government has executed and delivered this Agreement, and this Agreement constitutes a legal, valid and binding obligation of the Local Government enforceable against the Local Government in accordance with its terms.

(f) When executed and delivered in accordance with the Local Authorization and this Agreement, the Local Bond will have been executed and delivered by duly authorized officials of the Local Government and will constitute a legal, valid and binding limited obligation of the Local Government enforceable against the Local Government in accordance with its terms.

(g) The issuance of the Local Bond and the execution and delivery of the Local Bond Documents, the Interjurisdictional Agreement and the Operational Agreement, and the performance by the Local Government of its obligations thereunder, are within the powers of the Local Government and will not conflict with, or constitute a breach or result in a violation of (i) to the best of the Local Government's knowledge, any federal, or Virginia constitutional or statutory provision, including the Local Government's charter or articles of incorporation, if any, (ii) any agreement or other instrument to which the Local Government is a party or by which it is bound or (iii) any order, rule, regulation, decree or ordinance of any court, government or governmental authority having jurisdiction over the Local Government or its property.

(h) The Local Government is not in default in the payment of the principal of or interest on any of its indebtedness for borrowed money and is not in default under any instrument under and subject to which any indebtedness for borrowed money has been incurred. No event or condition has happened or existed, or is happening or existing, under the provisions

of any such instrument, including but not limited to this Agreement, which constitutes, or which, with notice or lapse of time, or both, would constitute an event of default thereunder.

(i) The Local Government (i) to the best of the Local Government's knowledge, is not in violation of any existing law, rule or regulation applicable to it in any way that would have a material adverse effect on its financial condition or its ability to perform its obligations under the Local Bond or the Local Bond Documents, the Interjurisdictional Agreement and the Operational Agreement and (ii) is not in default under any indenture, mortgage, deed of trust, lien, lease, contract, note, order, judgment, decree or other agreement, instrument or restriction of any kind to which the Local Government is a party or by which it is bound or to which any of its assets is subject that would have a material adverse effect on its financial condition or its ability to perform its obligations under the Local Bond and the Local Bond Documents. The Local Government's execution and delivery of the Local Bond and the Local Bond Documents and its compliance with the terms and conditions thereof will not conflict with or result in a breach of or constitute a default under any of the foregoing.

(j) The Local Government reasonably expects that, unless otherwise permitted by the terms of the Local Bond Documents or approved by VRA, the Local Government will own its allowable portion of the System at all times during the term of the Local Bond in accordance with the Operational Agreement.

(k) Except as set forth in Exhibit C, there are not pending nor, to the best of the Local Government's knowledge, threatened against the Local Government, any actions, suits, proceedings or investigations of a legal, equitable, regulatory, administrative or legislative nature (i) affecting the creation, organization or existence of the Local Government or the title of its officers to their respective offices, (ii) seeking to prohibit, restrain or enjoin the approval, execution, delivery or performance of the Local Authorization, the Local Bond Documents, the Interjurisdictional Agreement, the Operational Agreement or the issuance or delivery of the Local Bond, (iii) in any way contesting or affecting the validity or enforceability of the Local Bond, the Local Authorization, the Local Bond Documents, the Interjurisdictional Agreement, the Operational Agreement or any agreement or instrument relating to any of the foregoing, (iv) in which a judgment, order or resolution may have a material adverse effect on the Local Government or its business, assets, condition (financial or otherwise), operations or prospects or on its ability to perform its obligations under the Local Authorization, the Local Bond Documents, the Interjurisdictional Agreement, the Operational Agreement or the Local Bond or (v) affecting the Project.

(l) The financial statements, applications and other information that the Local Government furnished to VRA in connection with this Agreement fairly and accurately portray the Local Government's financial condition, as of their dates, and there has been no material adverse change in the financial condition of the Local Government since the date of the financial statements provided to VRA in connection with this Agreement.

(m) Nothing that would constitute an Event of Default hereunder has occurred and is continuing, and no event or condition exists that with the passage of time or the giving of notice, or both, would constitute an Event of Default hereunder.

(n) A list of all Parity Debt that is outstanding on the date of this Agreement is attached as Exhibit J (the "Existing Parity Bonds").

(o) Except for the Existing Parity Bonds, there is no indebtedness of the Local Government secured by a pledge of Revenues prior to or on a parity with the lien of the pledge of Revenues that secures the Local Bond.

Section 2.3 Representations by the R-Board. The R-Board represents to VRA as follows:

(a) The R-Board is a duly created and validly existing Virginia "local government" (as defined in Section 62.1-199 of the Act) and is vested with the rights and powers conferred upon it by Virginia law.

(b) The R-Board has full right, power and authority to (i) execute and deliver the Local Bond Documents, Interjurisdictional Agreement, the Operational Agreement and all related documents, (iv) undertake the Project and (v) carry out and consummate all of the transactions contemplated by the Local Bond Documents, the Interjurisdictional Agreement and the Operational Agreement.

(c) The R-Board has obtained all governmental permits, licenses, registrations, certificates, authorizations and approvals required to have been obtained as of the Effective Date for (i) execution and delivery of the Local Bond Documents and the Local Bond, the Interjurisdictional Agreement and the Operational Agreement, (iii) performance of its obligations under the Local Bond Documents, the Local Bond, the Interjurisdictional Agreement and the Operational Agreement, (iv) the undertaking of the Project, and (v) the operation and use of the System. The R-Board knows of no reason why any such required governmental permits, licenses, registrations, certificates, authorizations or approvals not required to be obtained by the Effective Date cannot be obtained as required in the future.

(d) The R-Board has executed and delivered this Agreement, and this Agreement constitutes a legal, valid and binding obligation of the R-Board enforceable against the R-Board in accordance with its terms.

(e) The execution and delivery of the Local Bond Documents, the Interjurisdictional Agreement and the Operational Agreement, and the performance by the R-Board of its obligations thereunder, are within the powers of the R-Board and will not conflict with, or constitute a breach or result in a violation of (i) to the best of the Local Government's knowledge, any federal, or Virginia constitutional or statutory provision, (ii) any agreement or other instrument to which the R-Board is a party or by which it is bound or (iii) any order, rule, regulation, decree or ordinance of any court, government or governmental authority having jurisdiction over the R-Board or its property.

(f) The R-Board is not in default in the payment of the principal of or interest on any of its indebtedness for borrowed money and is not in default under any instrument under and subject to which any indebtedness for borrowed money has been incurred. No event or condition has happened or existed, or is happening or existing, under the provisions of any such

instrument, including but not limited to this Agreement, which constitutes, or which, with notice or lapse of time, or both, would constitute an event of default thereunder.

(g) The R-Board (i) to the best of the R-Board's knowledge, is not in violation of any existing law, rule or regulation applicable to it in any way that would have a material adverse effect on its financial condition or its ability to perform its obligations under the Local Bond Documents, the Interjurisdictional Agreement and the Operational Agreement and (ii) is not in default under any indenture, mortgage, deed of trust, lien, lease, contract, note, order, judgment, decree or other agreement, instrument or restriction of any kind to which the R-Board is a party or by which it is bound or to which any of its assets is subject that would have a material adverse effect on its financial condition or its ability to perform its obligations under the Local Bond and the Local Bond Documents. The R-Board's execution and delivery of the Local Bond Documents and its compliance with the terms and conditions thereof will not conflict with or result in a breach of or constitute a default under any of the foregoing.

(h) The R-Board reasonably expects that, unless otherwise permitted by the terms of the Local Bond Documents or approved by VRA, the R-Board will operate and control the System at all times during the term of the Local Bond in accordance with the Operational Agreement.

(i) Except as set forth in Exhibit C, there are not pending nor, to the best of the R-Board's knowledge, threatened against the R-Board, any actions, suits, proceedings or investigations of a legal, equitable, regulatory, administrative or legislative nature (i) affecting the creation, organization or existence of the Local Government or the title of its officers to their respective offices, (ii) seeking to prohibit, restrain or enjoin the approval, execution, delivery or performance of the Local Authorization, the Local Bond Documents, the Interjurisdictional Agreement, the Operational Agreement or the issuance or delivery of the Local Bond, (iii) in any way contesting or affecting the validity or enforceability of the Local Bond, the Local Authorization, the Local Bond Documents, the Interjurisdictional Agreement, the Operational Agreement or any agreement or instrument relating to any of the foregoing, (iv) in which a judgment, order or resolution may have a material adverse effect on the Local Government or its business, assets, condition (financial or otherwise), operations or prospects or on its ability to perform its obligations under the Local Authorization, the Local Bond Documents, the Interjurisdictional Agreement, the Operational Agreement or the Local Bond or (v) affecting the Project.

(j) The financial statements, applications and other information that the Local Government and Stafford County furnished to VRA in connection with this Agreement fairly and accurately portray the R-Board's financial condition, as of their dates, and there has been no material adverse change in the financial condition of the R-Board since the date of the financial statements provided to VRA in connection with this Agreement.

(k) Nothing that would constitute an Event of Default hereunder has occurred and is continuing, and no event or condition exists that with the passage of time or the giving of notice, or both, would constitute an Event of Default hereunder.

Section 2.4 Representations Remade as of the Sale Date. (a) It shall be a condition precedent of VRA's obligation to sell the Related Series of VRA Bonds that the Local Government's and the R-Board's representations and warranties set forth in Sections 2.2 and 2.3, respectively, be true and accurate in all respects on the Sale Date.

(b) If prior to the Sale Date, any representation or warranty set forth in Sections 2.2 and 2.3 becomes untrue or inaccurate, then the Local Government and the R-Board shall notify VRA within one Business Day of becoming aware of such facts, and VRA, in its sole and absolute discretion, shall determine whether to sell VRA Bonds on behalf of the Local Government, which series of VRA Bonds (if any) to sell on behalf of the Local Government and any additional conditions precedent to the sale of such VRA Bonds or the purchase of the Local Bond.

ARTICLE III

PURCHASE OF THE LOCAL BOND

Section 3.1 Purchase of the Local Bond. (a) Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth or incorporated herein, VRA shall purchase, solely from the proceeds of the Related Series of VRA Bonds, all, but not less than all, of the Local Bond from the Local Government, and the Local Government shall, subject to the Financing Parameters, sell and deliver to VRA the Local Bond for the Purchase Price. The Local Government acknowledges that the Purchase Price is determined by VRA, is subject to VRA's Purchase Price Objective (as defined below) and market conditions as described below, and is expected to be substantially equal to the Proceeds Requested. The Local Government shall issue the Local Bond pursuant to the Local Authorization and in substantially the form of Exhibit A to this Agreement. As a condition of VRA entering into this Agreement, the Local Government shall deliver to VRA a copy of the Local Authorization as adopted prior to the date hereof.

(b) The Local Government acknowledges that VRA has advised the Local Government that its objective is to pay the Local Government the Purchase Price for its Local Bond which in VRA's judgment reflects the market value of the Local Bond ("Purchase Price Objective"), taking into consideration the Financing Parameters, the purchase price received by VRA for the Related Series of VRA Bonds, the underwriters' discount and other issuance costs of the Related Series of VRA Bonds and other market conditions relating to the sale of the Related Series of VRA Bonds. The Local Government further acknowledges that VRA has advised it that such factors may result in the Local Bond having a value other than par and that in order to receive an amount of proceeds that is substantially equal to the Proceeds Requested, the Local Government may need to issue the Local Bond with a par amount that is greater or less than the Proceeds Requested. The Local Government shall not issue the Local Bond if doing so would violate any Financing Parameter. The Local Government shall issue the Local Bond at a par amount that provides to the fullest extent practicable given VRA's Purchase Price Objective, a Purchase Price at least equal to the Proceeds Requested, all in accordance with the Local Authorization. The Local Government acknowledges that the Purchase Price will be less than the

Proceeds Requested if any Financing Parameter prevents VRA from generating a Purchase Price substantially equal to the Proceeds Requested, based upon VRA's Purchase Price Objective.

Section 3.2 Issuance Expenses. VRA shall pay, or cause to be paid, from the proceeds of the Related Series of VRA Bonds all expenses incident to the performance of VRA's obligations under and the fulfillment of the conditions imposed by this Agreement in connection with the issuance, sale and delivery of the Related Series of VRA Bonds and the purchase of the Local Bond on the Closing Date, including, but not limited to: (i) the cost, if any, of preparing and delivering the Related Series of VRA Bonds; (ii) the cost of preparing, printing and delivering the Preliminary Official Statement and the Official Statement for the Related Series of VRA Bonds and any amendment or supplement thereto; (iii) the fees and expenses of the financial advisor(s) and bond counsel to VRA; and (iv) all other costs and expenses incurred by VRA. The Local Government shall pay all expenses of the Local Government incident to the issuance, sale and delivery of the Local Bond, including, but not limited to the fees and disbursements of the financial advisor, counsel and bond counsel to the Local Government from the Purchase Price or other funds of the Local Government.

Section 3.3 Schedule 1.1. VRA shall complete Schedule 1.1, which shall set forth, among other things, the principal amount, interest rates, payment schedule and Purchase Price with respect to the Local Bond and the principal amount of the Related Series of VRA Bonds on or after the Sale Date. VRA shall deliver the completed Schedule 1.1 to the Local Government, Stafford County and the R-Board and shall attach Schedule 1.1 to this Agreement. Upon delivery to the Local Government, Stafford County and the R-Board, the completed Schedule 1.1 shall become a part of this Agreement the same as if it were a part hereof on the Effective Date.

Section 3.4 Conditions Precedent to Purchase of the Local Bond. VRA shall not be required to cause the Trustee to purchase the Local Bond unless:

(a) VRA has received the following, all in form and substance satisfactory to VRA:

(1) Certified copies of the Local Authorization and all other ordinances and resolutions of the Local Government and the R-Board relating to the Local Bond Documents and the Local Bond, if any.

(2) A certificate of the appropriate officials of the Local Government and the R-Board dated the Closing Date as to the matters set forth in Section 2.2 and Section 2.3 (to the extent applicable), including appropriate certifications regarding the Local Bond Documents, and such other matters as VRA may reasonably require.

(3) Evidence that the Local Government and the R-Board has performed and satisfied all of the terms and conditions contained in this Agreement to be performed and satisfied by it as of such date.

(4) An opinion of counsel to the Local Government in substantially the form attached as Exhibit F.

(5) An opinion of bond counsel to the Local Government in form and substance reasonably satisfactory to VRA.

(6) Evidence that the R-Board has complied with the insurance provisions set forth in Section 8.1 and Section 8.2.

(7) The executed Local Bond and original executed counterparts of the Local Tax Document.

(8) A certificate of the Consulting Engineer giving the Consulting Engineer's estimate of the construction portion of the total Project Costs to be financed with the proceeds of the Local Bond, which estimate must be in an amount and otherwise compatible with the financing plan described in the Project Budget.

(9) A certificate of the Consulting Engineer (i) to the effect that the Purchase Price and funds available from the other sources specified in the Project Budget will be sufficient to pay all of the estimated Project Costs and (ii) specifying the date the R-Board is expected to complete the Project.

(10) A certificate of an Outside Engineer or a Qualified Independent Consultant, including supporting documentation, to the effect that during the first two complete Fiscal Years following the estimated completion date of the Project, the projected Revenues will satisfy the rate covenant under Section 5.2(a). In providing this certificate, the Consulting Engineer or Qualified Independent Consultant may take into consideration future System rate increases, provided that such rate increases have been duly approved by the R-Board's governing body and any other person or entity required to give approval for the rate increase to become effective. In addition, the Consulting Engineer or Qualified Independent Consultant may take into consideration additional future revenues to be derived under existing contractual arrangements entered into by the Local Government, Stafford County or the R-Board and from reasonable estimates of growth in the R-Board's consumer base.

(11) A certificate of the Consulting Engineer to the effect that (i) all governmental permits, licenses, registrations, certificates, authorizations and approvals for the undertaking of the Project and the operation and use of the System required to have been obtained as of the Closing Date have been obtained and (ii) the Consulting Engineer knows of no reason why any such required governmental permits, licenses, registrations, certificates, authorizations and approvals for the undertaking of the Project and the operation and use of the System cannot be obtained as required in the future.

(12) Evidence that the R-Board is in compliance with the construction contract provisions set forth in Section 7.13 with respect to any existing contracts as of the Closing Date.

(13) Evidence that the Local Government has satisfied all conditions precedent to the issuance of the Local Bond as a "Parity Bond" under the financing documents for the Existing Parity Bonds.

(14) Certified copies of the executed Interjurisdictional Agreement and Operational Agreement.

(15) Such other documentation, certificates and opinions as VRA may reasonably require as set forth in Schedule 1.1.

(b) The initial purchasers of the Related Series of VRA Bonds have paid in full and VRA has accepted the purchase price for the Related Series of VRA Bonds on the Closing Date. It is understood that the sole source of funds to pay the Purchase Price is a portion of the proceeds of the Related Series of VRA Bonds.

ARTICLE IV

USE OF PURCHASE PRICE

Section 4.1 Deposit of Purchase Price; Investment of Amounts in Local Account.

(a) On the Closing Date, VRA shall cause the Trustee to deposit the Purchase Price into the Local Account and to apply the Purchase Price and the earnings thereon as set forth in the Related Supplemental Series Indenture, this Agreement and the Local Tax Document.

(b) The Local Government acknowledges and consents to the investment of the Purchase Price and the earnings thereon in Virginia SNAP.

Section 4.2 Agreement to Accomplish Project. (a) The R-Board shall acquire, construct, expand, renovate, equip or finance the Project as described in Exhibit B and in accordance with the Project Budget, this Agreement, the Interjurisdictional Agreement, the Operational Agreement, the Local Tax Document and the plans, specifications and designs prepared by the Consulting Engineer and approved by the R-Board. The R-Board shall complete, or cause to be completed, the Project by the date set forth in the certificate delivered under Section 3.4(a)(4). The R-Board shall obtain the approval of all applicable regulatory agencies to all plans, specifications and designs for the Project. The R-Board shall maintain complete and accurate books and records of the Project Costs and permit VRA or the Trustee through their representatives to inspect such books and records at any reasonable time.

(b) Upon completion of the Project, the Local Government or the R-Board shall promptly deliver to VRA and the Trustee a certificate signed by a Local Representative and by the Consulting Engineer stating (i) that the Project has been completed substantially in accordance with this Article and in substantial compliance with all material applicable laws, ordinances, rules and regulations, (ii) the date of such completion and (iii) that all certificates of occupancy or other material permits then necessary for the use, occupancy and operation of the Related Financed Property have been issued or obtained. Such certificate shall be accompanied by a copy of the final requisition submitted to the Trustee pursuant to Section 4.3, including Schedule 1 thereto.

(c) If upon completion of the Project and payment of all related costs of issuance, there is a balance remaining in the Local Account, the Trustee shall apply any remaining balance at the direction of the Local Government to pay interest on the Local Bond or in such other manner that is permitted under the Act and will not, in the opinion of a nationally-

recognized bond counsel delivered to VRA and the Trustee, have an adverse effect on the tax status of the Related Series of VRA Bonds.

Section 4.3 Disbursement of Purchase Price and Earnings. Except as provided in Section 4.2(c), the Local Government and the R-Board shall apply the amounts in the Local Account solely and exclusively to the payment or reimbursement of the Local Government or the R-Board for the Project Costs. Not more frequently than once per calendar month, the Trustee shall disburse amounts from the Local Account to the Local Government or as directed by the Local Government upon the Trustee's receipt of the following:

(a) A requisition (upon which the Trustee and VRA shall be entitled to rely) signed by a Local Representative and containing all information called for by, and otherwise being in the form of, Exhibit D (including the Schedules thereto).

(b) Receipts, vouchers, statements, bills of sale or other evidence of payment of the related Project Costs.

(c) If any requisition includes an item for payment for labor or to contractors, builders or materialmen:

(1) a certificate, signed by a Consulting Engineer, stating that such work was actually performed or such materials, supplies or equipment were actually furnished or installed in or about the construction of the Project; and

(2) a certificate, signed by a Consulting Engineer (that may rely on representations of counsel or a title insurance agency reasonably acceptable to VRA), stating that no notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the money payable under the requisition to any of the persons, firms or corporations named in it has been received, or if any notice of any such lien, attachment or claim has been received, such lien, attachment or claim has been released or discharged or will be released or discharged upon payment of the requisition.

(d) If any requisition includes an item for payment of the cost of acquisition of any lands or easements, rights or interests in or relating to lands, there shall also be attached to such requisition:

(1) a certificate, signed by a Consulting Engineer, stating that such lands, easements, rights or interests are being acquired and are necessary or convenient for the construction of the Project; and

(2) a certificate, signed by a Consulting Engineer (that may rely on representations of counsel or a title insurance agency reasonably acceptable to VRA), stating that upon payment therefor the Local Government, Stafford County and/or the R-Board, as applicable will have title in fee simple to, or easements, rights or interests sufficient for the purposes of, the Project over and through the subject lands.

Following VRA's approval of each such requisition and accompanying invoice(s) and certificate(s), which approval will not unreasonably be withheld, the Trustee shall pay the requisition from the Local Account in accordance with the instructions in such requisition.

The Local Government and the R-Board agree that any amounts disbursed to it or for its account from the Local Account will be (i) immediately applied to reimburse the Local Government, Stafford County and the R-Board for Project Costs it has already paid or (ii) actually spent to pay Project Costs not later than five banking days after receipt.

Section 4.4 No Sufficiency Warranty by VRA; Local Government and R-Board Required to Complete Project. VRA makes no warranty, either express or implied, that the Purchase Price will be sufficient to pay all or any particular portion of the Project Costs. If the Purchase Price is not sufficient to pay in full the cost of the Project, the Local Government and the R-Board shall complete their portion of the Project in accordance with the Operational Agreement and the Interjurisdictional Agreement at their own expense and shall not be entitled to any reimbursement therefor from VRA or any abatement, diminution or postponement of their payments under the Local Bond or this Agreement.

ARTICLE V

PLEDGE AND SECURITY

Section 5.1 Pledge. Subject to the right to apply Revenues to the payment of Operation and Maintenance Expenses, the Revenues are hereby pledged on a gross basis to secure the payment of the principal of and premium, if any, and interest on the Local Bond and the payment and performance of the Local Government's obligations under this Agreement on a parity with any Parity Bonds. This pledge shall be valid and binding from and after the Closing Date. The Revenues received by the Local Government and the R-Board, shall immediately be subject to the lien of this pledge without any physical delivery of them or further act. Except as stated above, the lien of this pledge shall have priority over all other obligations and liabilities of the Local Government and the R-Board payable from Revenues, and the lien of this pledge shall be valid and binding against all parties having claims of any kind against the Local Government and the R-Board regardless of whether such parties have notice of this pledge. Until the occurrence and continuation of an Event of Default, the Local Government and the R-Board may, after the application each month of Revenues to the payment of the Operation and Maintenance Expenses and debt service on the Local Bond and any other Parity Debt, use the Revenues for any lawful purpose.

Section 5.2 Rate Covenant. (a) The R-Board shall fix and collect rates, fees and other charges for the use of and for services furnished or to be furnished by the System, and shall from time to time revise such rates, fees and other charges so that in each Fiscal Year the Revenues will equal at least 600% of the amount required during the Fiscal Year to pay the principal of and interest on the Local Bond and all other Parity Bonds, which will be based on the annual audited financial statements of the R-Board.

(b) If, for any reason, the Revenues are insufficient to satisfy the covenant set forth in subsection (a), the R-Board shall within 90 days adjust and increase the System's rates,

fees and other charges or reduce the System's Operation and Maintenance Expenses so as to provide sufficient Revenues to satisfy such requirement.

(c) On or before the last day of each Fiscal Year, the R-Board shall review the adequacy of the System's rates, fees and other charges for the next Fiscal Year, and, if such review indicates the R-Board's rates, fees and other charges will be insufficient to satisfy the rate covenant in subsection (a), the R-Board shall promptly take appropriate action to increase the System's rates, fees and other charges or reduce the System's Operation and Maintenance Expenses to cure any deficiency.

Section 5.3 Annual Budget of the System. Not less than 15 days before the first day of each Fiscal Year, the R-Board shall submit to its governing body and to VRA a copy of a preliminary annual budget, containing all information called for by, and otherwise being in the form of, Exhibit I to this Agreement, for such Fiscal Year setting forth a schedule of the rates, fees and other charges to be imposed by the R-Board, the Revenues estimated to be generated thereby and the expenditures anticipated by the R-Board for operations, maintenance, repairs, replacements, improvements, debt service and other purposes. The R-Board shall adopt, prior to the first day of each Fiscal Year, a budget for such Fiscal Year. The R-Board shall ensure that the adopted budget contains the information required to be included in the preliminary budget. Such budget as approved by the R-Board's governing body is referred to in this Agreement as the Annual Budget. The R-Board may at any time during any Fiscal Year amend the Annual Budget for such Fiscal Year so long as such amendment does not result in an Event of Default. The R-Board shall promptly submit to VRA, in an electronic format, a copy of the Annual Budget and any amendments thereto.

Section 5.4 Qualified Independent Consultant's Report. (a) If at the end of any Fiscal Year, the R-Board is not in compliance with the rate covenant in Section 5.2(a), within 210 days after the end of such Fiscal Year, the Local Government, Stafford County or the R-Board shall obtain a report from the Qualified Independent Consultant. The Local Government and the R-Board shall ensure that the report gives advice and makes recommendations as to the proper maintenance, repair, replacement and operation of the System for the next ensuing Fiscal Year and estimating the costs thereof as to the rates, fees, and other charges which should be established by the R-Board to satisfy the rate covenant in Section 5.2(a). The Local Government, Stafford County or the R-Board shall promptly furnish a copy of such report to VRA and, subject to Section 5.4(b), take measures to implement the recommendations of the Qualified Independent Consultant within 90 days of obtaining such report.

(b) If the Local Government, Stafford County or the R-Board determines that the Qualified Independent Consultant's recommendations are impractical or inappropriate, the Local Government, Stafford County or the R-Board may in lieu thereof adopt other procedures which the Local Government, Stafford County or the R-Board believe will bring them into compliance with the rate covenant in Section 5.2(a) when such measures have been implemented and become fully effective. Such alternative plan shall be filed with VRA not later than 30 days after receipt of the Qualified Independent Consultant's report along with a detailed explanation of the Local Government's, Stafford County's or the R-Board's reason for rejecting the Qualified Independent Consultant's recommendations. Notwithstanding anything herein to the contrary, VRA reserves the right, in its sole discretion, to reject such alternate procedures and, to the

extent permitted by law, require the Local Government, Stafford County and the R-Board to comply with the Qualified Independent Consultant's recommendations.

Section 5.5 Limitation on Amendments to Certain Documents. The Interjurisdictional Agreement shall not be terminated, permitted to lapse, modified, altered, amended or supplemented in whole or in part without VRA's prior written consent. The Local Government shall not exercise its rights to withdraw or take any other action that would cause its withdrawal from the Operational Agreement. In addition, the Operational Agreement shall not be modified, altered, amended or supplemented, in whole or in part, without VRA's prior consent.

ARTICLE VI

PAYMENT AND REDEMPTION OF LOCAL BOND

Section 6.1 Payment of Local Bond and Related Amounts. (a) Until the principal of and premium, if any, and interest on the Local Bond and all other amounts payable under this Agreement have been paid in full, the Local Government shall pay, or cause to be paid, to the Trustee or VRA, as applicable, the following amounts:

(1) to the Trustee, the amounts required by the Local Bond on such dates and in such manner as provided for in the Local Bond – the term "interest," as used in the Local Bond and this Agreement, includes Supplemental Interest, when and if payable;

(2) to the Trustee, on VRA's demand, or to VRA, any amounts payable under the Local Tax Document, including without limitation the costs of any rebate calculation agent;

(3) to VRA on its demand, a late payment penalty in an amount equal to 5.0% of the payment on the Local Bond not paid within 10 days after its due date;

(4) to the Trustee, the Local Government's share (as determined by VRA) of the annual fees and expenses of the Trustee, less the Local Government's share of the net earnings on the Revenue Fund, Infrastructure Revenue Debt Service Fund and Moral Obligation Debt Service Fund established under the Master Indenture (as determined by VRA), and the Local Government shall pay such amounts no later than 15 days after VRA or the Trustee sends to the Local Government a written bill for them; and

(5) to VRA the reasonable costs and expenses, including reasonable attorneys' fees, if any, incurred by VRA in connection with (i) an Event of Default or default by the Local Government under this Agreement (ii) any amendment to or discretionary action that VRA undertakes at the request of the Local Government under this Agreement, any other document related to the Related Series of VRA Bonds or the Local Bond or (iii) any claim, lawsuit or other challenge to the Local Bond, the VRA Bonds or this Agreement that arises, at least in part, out of the Local Government's authorization of its issuance of the Local Bond, and the Local Government shall pay such

amounts no later than 15 days after VRA or the Trustee sends to the Local Government a written bill for them.

(b) If any failure of the Local Government to pay all or any portion of any required payment of the principal of or premium, if any, or interest on the Local Bond results in a withdrawal from or a drawing on any VRA Reserve, the interest rates applicable to the Local Bond shall be increased to interest rates sufficient to reimburse the VRA Reserve for any foregone investment earnings on the funds withdrawn therefrom and pay any interest, fees or penalties assessed as a result of the withdrawal from or drawing on the VRA Reserve. The increment of interest payable pursuant to the increase in rates shall be referred to as "Supplemental Interest." The Local Government's obligation to pay Supplemental Interest shall commence on the date of the withdrawal or drawing of funds from the VRA Reserve occasioned by the Local Government's failure to pay a required payment or portion thereof as described above (the "Supplemental Interest Commencement Date"). The Local Government's obligation to pay Supplemental Interest shall terminate on the date on which the Local Government makes all payments required but outstanding since the date of the initial failure to pay (the "Supplemental Interest Termination Date"). From the Supplemental Interest Commencement Date to the Supplemental Interest Termination Date, Supplemental Interest shall be due and payable on the regularly scheduled interest payment dates provided for in the Local Bond. As soon as reasonably possible after the Supplemental Interest Commencement Date and before the next regularly scheduled interest payment date provided for in the Local Bond, VRA shall deliver to the Local Government a certificate as to the increase in interest rates and the amount of Supplemental Interest. The certificate shall set forth in reasonable detail the basis for the increase in interest rates and the manner of calculation of the increase and the amount of Supplemental Interest. Such certificate shall be conclusive (absent manifest error) as to the interest rate increase and amount of Supplemental Interest set forth therein. In determining the interest rate increase and the amount of Supplemental Interest, VRA may use any reasonable averaging and attribution methods.

(c) The Local Government shall pay the amounts described above and make payments as scheduled under the Local Bond despite any amount being withdrawn from or drawn on a VRA Reserve pursuant to the Master Indenture.

Section 6.2 Defeasance and Redemption of Local Bond. (a) The Local Government shall not defease or redeem the Local Bond (in whole or in part), except as provided in this Section 6.2.

(b) The Local Government shall satisfy the following conditions prior to the defeasance and redemption of the Local Bond:

(1) The Local Government shall provide to VRA not less than 60 days' prior written notice of the deposit of the funds described in (2), (3) and (4) below.

(2) The Local Government shall deposit with the Trustee an amount sufficient for VRA to establish an escrow of cash and non-callable, non-prepayable Government Obligations the principal of and interest on which will be sufficient (without reinvestment) to cause the defeasance under Article XII of the Master Indenture of the

portion of the Related Portion of VRA Bonds corresponding to the portion of the Local Bond to be defeased or prepaid (the "Allocated Portion"). The defeasance of the Allocated Portion may be either to maturity or an earlier redemption date as determined by the Local Government.

(3) The Local Government shall deposit with VRA cash in an amount sufficient, as determined by VRA, to pay for a verification report required for the defeasance of the Allocated Portion under Article XII of the Master Indenture, any costs incurred by VRA in connection with the redemption, refunding and defeasance of the Allocated Portion, all amounts overdue or then due on the Local Bond (including, without limitation, any Supplemental Interest) and all amounts overdue, due or to become due under Section 6.1(a) of this Agreement.

(4) The Local Government shall deposit with VRA cash in an amount equal to the present value of interest that would be paid on the principal of the Allocated Portion at a rate equal to 0.125%, payable semiannually, to the maturity dates of the Allocated Portion or, if earlier, the redemption date or dates of the Allocated Portion. Present value shall be determined by using a discount rate equal to the true interest cost of the Related Portion of VRA Bonds.

(c) VRA will determine which Related Portion of VRA Bonds will be designated as the Allocated Portion and the amounts to be deposited under subsection (b)(2) and (3) above using such reasonable allocation and estimation methods as may be selected by VRA, and VRA's determinations shall be conclusive (absent manifest error).

(d) The Local Government acknowledges that no funds in any VRA Reserve will be available to the Local Government for the defeasance or redemption of the Local Bond.

Section 6.3 Payments and Rights Assigned. The Local Government hereby consents to VRA's assignment to the Trustee of VRA's rights under this Agreement and the Local Bond. The Local Government also hereby acknowledges and consents to the reservation by VRA of the right and license to enjoy and enforce VRA's rights under the Local Bond and this Agreement so long as no Event of Default (as defined in the Master Indenture) with respect to the Related Series of VRA Bonds has occurred and is continuing. Even though VRA will be the registered owner of the Local Bond, the Local Government shall pay directly to the Trustee all amounts payable by the Local Government under the Local Bond and this Agreement (except for those amounts specifically indicated as payable to VRA under Section 6.1 or Section 11.8, which the Local Government shall pay directly to VRA).

Section 6.4 Obligations Absolute and Unconditional. The obligation of the Local Government to make the payments required by the Local Bond and this Agreement from the sources pledged therefor shall be absolute and unconditional. The Local Government shall pay all such amounts without abatement, diminution or deduction (whether for taxes or otherwise) regardless of any cause or circumstance whatsoever including, without limitation, any defense, set-off, recoupment or counterclaim that the Local Government may have or assert against VRA, the Trustee or any other person.

ARTICLE VII

OPERATION AND USE COVENANTS

Section 7.1 Maintenance. At its own cost and expense the R-Board shall operate the System in a proper, sound and economical manner in compliance with all legal requirements and shall maintain the System in good repair and operating condition and from time to time shall make all necessary repairs, renewals and replacements.

Section 7.2 Additions and Modifications. At its own expense, the R-Board from time to time may make any renewals, replacements, additions, modifications or improvements to the System that the R-Board deems desirable, provided that any such renewal, replacement, addition, modification or improvement does not (i) materially reduce the value of the System or (ii) negatively affect the structural or operational integrity of any part of the System. The R-Board shall ensure that all such renewals, replacements, additions, modifications or improvements comply with all applicable federal, state and local laws, rules, regulations, orders, permits, authorizations and requirements. All such renewals, replacements, additions, modifications and improvements shall become part of the System.

Section 7.3 Permits. The R-Board shall, at its sole cost and expense, obtain all permits, consents and approvals required by local, state or federal laws, ordinances, rules, regulations or requirements in connection with the acquisition, construction, equipping, occupation, operation or use of the System. The R-Board shall, upon request, promptly furnish to VRA and the Trustee copies of all such permits, consents and approvals.

Section 7.4 Use. The R-Board shall comply with all lawful requirements of any governmental authority regarding the System, whether now existing or subsequently enacted, whether foreseen or unforeseen or whether involving any change in governmental policy or requiring structural, operational or other changes to the System, irrespective of the cost of making the same.

Section 7.5 Inspection and Local Government's Books and Records. The Local Government and the R-Board shall permit VRA, the Trustee and their duly authorized representatives and agents such reasonable rights of access to the System as may be necessary to determine whether the Local Government and the R-Board is in compliance with the requirements of this Agreement, and the Local Government and the R-Board shall permit such parties, at all reasonable times and upon reasonable prior notice to the Local Government and the R-Board, to examine and copy the Local Government's and the R-Board's books and records that relate to the System.

Section 7.6 Ownership. The R-Board shall not construct, reconstruct or install any part of the System on (i) lands other than those which the Local Government and/or Stafford County owns or can acquire title to or a perpetual easement over, in either case sufficient for the Local Government's and Stafford County's purposes or (ii) lands in which the Local Government, Stafford County and/or the R-Board has acquired a right or interest less than a fee simple or perpetual easement, unless (1) such part of System is lawfully located in a public street or highway or (2) the Local Government, Stafford County or the R-Board provides a written opinion

of counsel or a report of a Qualified Independent Consultant, either of which in a form reasonably acceptable to VRA, that indicates that the lands and the Local Government's and/or Stafford County's right or interest therein is sufficient for the R-Board's purposes.

Section 7.7 Sale or Encumbrance. No part of the System shall be sold, exchanged, leased, mortgaged, encumbered or otherwise disposed of except (i) with the written consent of VRA or (ii) as provided in any one of the following subsections:

(a) The Local Government, Stafford County or the R-Board, as applicable, may grant easements, licenses or permits across, over or under parts of the System for streets, roads and utilities as will not adversely affect the use of the System.

(b) The Local Government, the County or the R-Board, as applicable, may sell or otherwise dispose of property constituting part of the System if it uses the proceeds of such disposition and any other necessary funds to replace such property with property serving the same or a similar function.

(c) The Local Government, the County or the R-Board, as applicable, may sell or otherwise dispose of property constituting part of the System with a "book value" (as determined in accordance with generally accepted accounting principles) that, when combined with the aggregate "book value" of all of the other such property sold or otherwise disposed of under this subsection during the Fiscal Year in question, will not cause the aggregate "book value" of all of such property sold or otherwise disposed of under this subsection in such Fiscal Year to exceed \$125,000. The proceeds to be received from any such sale or disposition shall be applied first to cure any default that may exist in the payment of the principal of or interest on the Local Bond.

(d) The Local Government, the County or the R-Board, as applicable, may otherwise sell or dispose of property constituting part of the System if there is filed with VRA a certificate of the Consulting Engineer stating that such property is not necessary or useful to the operation of the System. The proceeds to be received from any such sale or disposition shall be applied first to cure any default that may exist in the payment of the principal of or interest on the Local Bond.

Section 7.8 Collection of Revenues. The R-Board shall use its best efforts to collect all rates, fees and other charges due to it, including, without limitation, the perfection of liens on premises served by the System for the amount of all delinquent rates, fees and other charges where such action is permitted by law. The R-Board shall, to the full extent permitted by law, discontinue and shut off, or cause to be discontinued and shut off, services and facilities of the System, to customers of the System who are delinquent beyond any customary grace periods in the payment of rates, fees and other charges due to the R-Board.

Section 7.9 No Free Service. Except as otherwise required by law and as described on Exhibit H, the R-Board shall not permit use of the System, or furnish any services afforded by the System, without making a charge therefor based on the R-Board's uniform schedule of rates, fees and charges.

Section 7.10 No Competing Service. To the extent permitted by law, the Local Government and the R-Board agrees not to provide, grant any franchise to provide or give consent for anyone else to provide, any services which would compete with the System.

Section 7.11 Lawful Charges. The R-Board shall pay when due all taxes, fees, assessments, levies and other governmental charges of any kind whatsoever (collectively, the "Governmental Charges") which are (i) assessed, levied or imposed against the System or the Local Government's, Stafford County's or the R-Board's interest in it, or (ii) incurred in the operation, maintenance, use and occupancy of the System. The R-Board shall pay or cause to be discharged, or shall make adequate provision to pay or discharge, all lawful claims and demands for labor, materials, supplies or other objects which, if unpaid, might by law become a lien upon all or any part of the System or the Revenues (collectively, the "Mechanics' Charges"). The R-Board, however, after giving VRA 10 days' notice of its intention to do so, at its own expense and in its own name, may contest in good faith any Governmental Charges or Mechanics' Charges. If such a contest occurs, the R-Board may permit the same to remain unpaid during the period of the contest and any subsequent appeal unless, in VRA's reasonable opinion, such action may impair the lien on Revenues granted by this Agreement, in which event, such Governmental Charges or Mechanics' Charges promptly shall be satisfied or secured by posting with the Trustee or an appropriate court a bond in form and amount satisfactory to VRA. Upon request, the R-Board shall furnish to VRA proof of payment of all Governmental Charges and Mechanics' Charges the R-Board is required to pay under this Agreement.

Section 7.12 Construction Contractors. The R-Board shall cause each general construction contractor employed in the accomplishment of the Project to furnish a performance bond and a payment bond each in an amount equal to 100% of the particular contract price. Such bonds must list the R-Board, VRA and the Trustee as beneficiaries. Neither VRA nor the Trustee shall make any claims or exercise any rights under such bonds unless and until an Event of Default occurs. The R-Board shall cause each contractor to maintain during the construction period covered by the particular construction contract builder's risk insurance, workmen's compensation insurance, public liability insurance, property damage insurance and vehicle liability insurance in amounts and on terms satisfactory to the Consulting Engineer.

Section 7.13 Engineering Services. The Local Government, Stafford County or the R-Board shall retain or employ a Consulting Engineer to provide engineering services covering the operation of the System.

ARTICLE VIII

INSURANCE, DAMAGE AND DESTRUCTION

Section 8.1 Insurance. The R-Board shall maintain or cause to be maintained insurance against such risks as are customarily insured against by systems similar in size and character to the System, including, without limitation:

- (a) Insurance in the amount of the full replacement cost of the System's insurable portions against loss or damage by fire and lightning, with broad form extended coverage endorsements covering damage by windstorm, explosion, aircraft, smoke, sprinkler

leakage, vandalism, malicious mischief and such other risks as are normally covered by such endorsements (limited only as may be provided in the standard form of such endorsements at the time in use in Virginia). The determination of replacement cost shall be made, in conjunction with representatives of the R-Board, by a recognized appraiser or insurer selected by the R-Board and reasonably acceptable to VRA.

(b) Comprehensive general liability insurance with a combined single limit of \$1,000,000 per year against liability for bodily injury, including death resulting therefrom, and for damage to property, including loss of its use, arising out of the ownership, maintenance, operation or use of the System.

(c) Unless the R-Board qualifies as a self-insurer under Virginia law, worker's compensation insurance.

Neither VRA nor the Trustee shall have any responsibility or obligation with respect to (i) the procurement or maintenance of insurance or the amounts or the provisions with respect to policies of insurance or (ii) the application of the proceeds of insurance.

The R-Board shall provide annually to VRA a certificate or certificates of the respective insurers evidencing the fact that the insurance required by this Section is in force and effect.

Section 8.2 Requirements of Policies. The R-Board shall maintain all insurance required by Section 8.1 with generally recognized responsible insurance companies selected by the R-Board and reasonably acceptable to VRA. Such insurance may be written with deductible amounts comparable to those on similar policies carried by other utility systems of like size and character to the System. If the R-Board does not maintain such insurance with an insurer licensed to do business in Virginia or placed under the requirements of the Virginia Surplus Lines Insurance Law, Chapter 48, Title 38.2, Code of Virginia of 1950, as amended, or any successor statute, the R-Board shall provide evidence reasonably satisfactory to VRA that such insurance is enforceable under Virginia law.

Section 8.3 Notice of Damage, Destruction or Condemnation. In case of (i) any damage to or destruction of any material part of the System, (ii) a taking of all or any part of the System or any right in it under the exercise of the power of eminent domain, (iii) any loss of the System because of failure of title or (iv) the commencement of any proceedings or negotiations which might result in such a taking or loss, the Local Government, Stafford County or the R-Board shall notify VRA in writing within ten Business Days of the occurrence describing generally the nature and extent of such damage, destruction, taking, loss, proceedings or negotiations.

Section 8.4 Damage and Destruction. If all or any part of the System is destroyed or damaged by fire or other casualty, and the Local Government shall not have exercised its option, if such option is available, to redeem the outstanding Local Bond pursuant to Section 6.2, the Local Government, Stafford County and/or the R-Board shall restore promptly the property damaged or destroyed to substantially the same condition as before such damage or destruction, with such alterations and additions as the R-Board may determine and which will not impair the capacity or character of the System for the purposes for which it then is being used or is intended

to be used. The R-Board may apply so much as may be necessary of the net proceeds of insurance received on account of any such damage or destruction to payment of the cost of such restoration, either on completion or as the work progresses. If such net proceeds are not sufficient to pay in full the cost of such restoration, the Local Government, Stafford County or the R-Board shall pay so much of the cost as may be in excess of such net proceeds.

Section 8.5 Condemnation and Loss of Title. If title to or the temporary use of all or any part of the System shall be taken under the exercise of the power of eminent domain or lost because of failure of title, and the Local Government shall not have exercised its option, if such option is available, to redeem the outstanding Local Bond pursuant to Section 6.2, the Local Government, Stafford County or the R-Board shall cause the net proceeds from any such condemnation award or from any title insurance to be applied to the restoration of the System to substantially its condition before the exercise of such power of eminent domain or failure of title. If such net proceeds are not sufficient to pay in full the cost of such restoration, the Local Government, Stafford County or the R-Board shall pay so much of the cost as may be in excess of such net proceeds.

ARTICLE IX

SPECIAL COVENANTS

Section 9.1 Tax Covenants. The Local Government and the R-Board shall not directly or indirectly use or permit the use of any of the proceeds of the Local Bond or any other of its funds, in such manner as would, or enter into, or allow any other person or entity to enter into, any arrangement, formal or informal, that would, or take or omit to take any other action that would, cause interest on any of the Related Series of VRA Bonds to be includable in gross income for federal income tax purposes or to become a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. Insofar as the Local Tax Document imposes duties and responsibilities on the Local Government and the R-Board, including the payment of any arbitrage rebate in respect of the Related Series of VRA Bonds, as of the Closing Date they are specifically incorporated by reference into this Agreement. The Local Government and the R-Board also consents to the calculation of any "rebate amount" to be paid with respect to the Related Portion of VRA Bonds by a rebate calculation service selected by VRA.

Section 9.2 Maintenance of Existence. The Local Government shall maintain its existence as a municipal corporation of the Commonwealth of Virginia under Virginia law, and shall not dissolve or otherwise dispose of all or substantially all of its assets or consolidate or merge with or into another entity without VRA's prior written consent, which consent will not be unreasonably withheld. The R-Board shall maintain its existence as a public body corporate and politic of the Commonwealth of Virginia under Virginia law, and shall not dissolve or otherwise dispose of all or substantially all of its assets or consolidate or merge with or into another entity without VRA's prior written consent, which consent will not be unreasonably withheld.

Section 9.3 Financial Records and Statements. The Local Government and the R-Board shall maintain proper books of record and account in which proper entries shall be made in accordance with generally accepted government accounting standards, consistently applied, of all its

business and affairs. Stafford County and the R-Board shall have an annual audit of the financial condition of the R-Board made by an independent certified public accountant, within 180 days after the end of each Fiscal Year. The annual audit shall include a supplemental schedule demonstrating whether the R-Board satisfied the rate covenant set forth in Section 5.2. The Local Government, Stafford County or the R-Board shall furnish to VRA, in an electronic format, a copy of such report immediately after it is accepted by Stafford County and the R-Board. Such report shall include statements in reasonable detail, certified by such accountant, reflecting the System's financial position as of the end of such Fiscal Year and the results of the System's operations and changes in the financial position thereof for the Fiscal Year.

Section 9.4 Certification as to No Default and Tax Compliance. The Local Government and the R-Board shall deliver to VRA, within 180 days after the close of each Fiscal Year, a certification in substantially the form attached as Exhibit G and signed by a Local Representative.

Section 9.5 Further Assurances. The Local Government and the R-Board shall to the fullest extent permitted by law pass, make, do, execute, acknowledge and deliver such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming the rights and collateral, if any, assigned or pledged by this Agreement, or as may be required to carry out the purposes of this Agreement. The Local Government and the R-Board shall at all times, to the fullest extent permitted by law, defend, preserve and protect the pledges made under this Agreement and all rights of VRA under this Agreement against all claims and demands of all persons, including without limitation the payment of certain costs of VRA as described in Section 6.1(a)(5).

Section 9.6 Assignment by Local Government. The Local Government shall not assign its rights and obligations under the Local Bond or this Agreement, or both, without the prior written consent of VRA.

Section 9.7 Assignment by R-Board. The R-Board shall not assign its rights and obligations under this Agreement without the prior written consent of VRA.

Section 9.8 Continuing Disclosure. (a) For purposes of this Section 9.7, the following terms and phrases have the following meanings:

"**Annual Financial Information**" with respect to any Fiscal Year for the Local Government means the following:

- (i) the financial statements (consisting of at least a balance sheet and a statement of revenues and expenses) of the R-Board for the System, which financial statements must be (A) prepared annually in accordance with generally accepted accounting principles in effect from time to time consistently applied (provided that nothing in this clause (A) will prohibit the Local Government after the date of this Agreement from changing such other principles so as to comply with generally accepted accounting principles as then in effect or to comply with a change in applicable law) and (B) audited by an independent

certified public accountant or firm of such accountants in accordance with generally accepted auditing standards as in effect from time to time (provided that if audited financial statements are not available for filing when required by this Section or the Rule (as defined herein), unaudited financial statements will be filed and audited financial statements will be filed as soon as possible thereafter); and

(ii) operating data of the type set forth in Exhibit E.

"Dissemination Agent" means any person, reasonably acceptable to VRA, whom the Local Government contracts in writing to perform its obligations as provided in subsection (i) of this Section.

"Make Public" or "Made Public" has the meaning set forth in subsection (c) of this Section.

"Material Local Government" means the Local Government if the aggregate outstanding principal amount of the Local Bond and any other of the Local Government's local bonds purchased with proceeds of the VRA Bonds represent 15% or more of the outstanding aggregate principal amount of the local bonds purchased with proceeds of the VRA Bonds.

"Rule" means Rule 15c2-12, as it may be amended from time to time, under the Securities Exchange Act of 1934 and any similar rules of the SEC relating to disclosure requirements in the offering and sale of municipal securities, all as in effect from time to time.

"SEC" means the U.S. Securities and Exchange Commission.

(b) The Local Government shall Make Public or cause to be Made Public:

(1) Within seven months after the end of the Local Government's Fiscal Year (commencing with the Fiscal Year in which the Closing Date occurs), Annual Financial Information for such Fiscal Year as of the end of which the Local Government constitutes a Material Local Government. Annual Financial Information may be set forth in the documents Made Public or may be included in a document Made Public by specific reference to any document available to the public on the internet website of the Municipal Securities Rulemaking Board ("MSRB") or filed with the SEC. If the document referred to is a final official statement, then it must be available from the MSRB.

(2) In a timely manner, notice of any failure by the Local Government to Make Public or cause to be Made Public Annual Financial Information pursuant to the terms of part (1) of this subsection.

(c) For purposes of this Section, information and notices shall be deemed to have been "Made Public" if transmitted to VRA, to the Trustee and to the MSRB in an electronic format as prescribed by the MSRB.

(d) The Local Government shall also notify VRA of the occurrence of any of the following events that may from time to time occur with respect to the Local Bond, such

notice to be given in a timely manner not in excess of five Business Days after the occurrence of the event:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on any credit enhancement maintained with respect to the Local Bond reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 – TEB) or other notices or determinations with respect to the Local Bond that could affect the tax status of the Related Series of VRA Bonds, or other events with respect to the Local Bond that could affect the tax status of the Related Series of VRA Bonds;
- (7) modifications to rights of holders;
- (8) bond calls and tender offers;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the Local Bond;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the Local Government;
- (13) the consummation of a merger, consolidation, or acquisition involving the Local Government or the sale of all or substantially all of the assets of the Local Government, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such action, other than pursuant to its terms;
- (14) appointment of a successor or additional trustee for the Local Bond, if any, or the change of name of a trustee; and
- (15) the failure of the Local Government on or before the date required by this Agreement to provide Annual Financial Information to the persons and in the manner required by this Agreement.

(e) Additionally, upon request of VRA, the Local Government shall certify in writing that it has made all filings and disclosures under this Section or any similar undertaking pursuant to the Rule.

(f) Notwithstanding anything in this Agreement to the contrary, the Local Government need not comply with the provisions of subsections (a) through (d) above unless and until VRA has notified the Local Government that it satisfied the objective criteria for a Material Local Government as of the end of VRA's immediately preceding fiscal year.

(g) (1) If the Local Government fails to comply with any covenant or obligation set forth in this Section, any holder (within the meaning of the Rule) of VRA Bonds then Outstanding may, by notice to the Local Government, proceed to protect and enforce its rights and the rights of the other holders by an action for specific performance of the Local Government's covenants or obligations set forth in this Section.

(2) Notwithstanding anything herein to the contrary, any failure of the Local Government to comply with any disclosure obligation specified in this Agreement (i) shall not be deemed to constitute an Event of Default under this Agreement and (ii) shall not give rise to any right or remedy other than that described in part (1) of this subsection.

(h) The Local Government may from time to time disclose certain information and data in addition to that required under this Section. Notwithstanding anything in this Agreement to the contrary, the Local Government shall not incur any obligation to continue to provide, or to update, such additional information or data.

(i) The Local Government may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligation to cause to be Made Public the information described in this Section and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. It is not necessary for purposes of this Article that the Dissemination Agent have any agency relationship with the Local Government for purposes of state law.

(j) All documents Made Public under this Section shall be accompanied by identifying information as prescribed by the MSRB.

Section 9.9 Other Indebtedness. The Local Government and the R-Board shall pay when due all amounts required by any other indebtedness of the Local Government and the R-Board and perform all of its obligations in connection with all other indebtedness of the Local Government and the R-Board.

Section 9.10 Additional Indebtedness. The Local Government shall not incur any indebtedness or issue any bonds, notes or other evidences of indebtedness secured by a pledge of Revenues, except Parity Debt or Subordinate Debt issued in accordance with the terms and conditions of this Section 9.9.

(a) The Local Government may issue Parity Debt to (i) pay the cost of the acquisition or construction of improvements, extensions, additions or replacements to equipment

or betterments of and any property, rights or easements deemed by the Local Government to be necessary, useful or convenient for the System or to refund Subordinate Debt, (ii) refund some or all of the Local Bond (subject to the conditions of Section 6.2) or any other Parity Debt or (iii) effect some combination of (i) and (ii), provided in each case the following conditions are satisfied. Before any Parity Debt is issued or delivered, the Local Government shall deliver to VRA the following in form and substance satisfactory to VRA:

(1) Certified copies of all resolutions and ordinances of the Local Government authorizing the issuance of the Parity Debt.

(2) A certificate of a Local Representative setting forth the purposes for which the Local Government is issuing the Parity Debt and the manner in which the Local Government will apply the proceeds from the issuance and sale of the Parity Debt.

(3) If the Parity Debt is authorized for any purpose other than the refunding of the Local Bond or other Parity Debt, a certificate including supporting documentation of a Qualified Independent Consultant to the effect that (i) the improvements or property which the proceeds from the issuance of the Parity Debt will finance or refinance will be a part of, or are necessary, useful or convenient for, the System, (ii) the funds available to the Local Government from the issuance of the Parity Debt and other specified sources will be sufficient to pay the estimated cost of such improvements or property (or refinancing the same), (iii) the period of time which will be required to complete such improvements or property, and (iv) (A) the failure to make such improvements or acquire or construct such property will result in an interruption or reduction, or the continuance of an interruption or reduction, of Revenues, or (B) during the first two complete Fiscal Years following the completion of the improvements or the acquisition or construction of the property (or refinancing the same), the projected Revenues will satisfy the rate covenant of Section 5.2. In providing this certificate, the Qualified Independent Consultant may take into consideration future System rate increases, provided that such rate increases have been duly approved by the R-Board's governing body and any other person and entity required to give approval for the rate increase to become effective. In addition, the Qualified Independent Consultant may take into consideration additional future Revenues to be derived under then existing contractual agreements entered into by the R-Board and from reasonable estimates of growth in the R-Board's customer base. In providing the certification in subsection (iv)(B) above, the Qualified Independent Consultant shall include supporting documentation.

(4) If the Parity Debt is authorized solely to refund any Local Bond or other Parity Debt either (i) a certificate or report of a Qualified Independent Consultant that the refunding Parity Debt will have annual debt service requirements in each of the years the Local Bond or the other Parity Debt to be refunded (the "Refunded Bonds") would have been outstanding that is lower than the annual debt service requirements in each such year on the Refunded Bonds, or (ii) a certificate of a Qualified Independent Consultant to the effect that in its opinion, during the first two complete Fiscal Years following the issuance of the refunding Parity Debt, the projected Revenues will satisfy the rate covenant of Section 5.2. In providing the certificate described in clause (ii), the

Qualified Independent Consultant may take into account the positive factors described in the last two sentences of subsection (a)(3) of this Section.

(5) If requested by VRA, an opinion of a nationally-recognized bond counsel, subject to customary exceptions and qualifications, approving the form of the resolution authorizing the issuance of the Parity Debt and stating that its terms and provisions conform with the requirements of this Agreement, that the certificates and documents delivered to VRA constitute compliance with the provisions of this Section, and that the issuance of the Parity Debt will have no adverse effect on the exclusion of the interest on the Related Series of VRA Bonds from gross income for federal income tax purposes and not cause interest on the Related Series of VRA Bonds to become a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations.

(b) If the Local Government is unable or unwilling to satisfy the conditions set forth in subsection (b) to the issuance and delivery of any issue of Parity Debt, VRA may determine, in its sole discretion, to waive any or all of such conditions.

Section 9.11 Litigation; Material Change. The Local Government and the R-Board shall promptly notify VRA of (i) the existence and status of any litigation that City Attorney or general counsel determines is not reasonably certain to have a favorable outcome and which individually or in the aggregate could have a material adverse effect on the financial condition or operations of the System or its ability to perform its payment and other obligations under this Agreement or the Local Bond or (ii) any change in any material fact or circumstance represented or warranted in this Agreement.

ARTICLE X

DEFAULTS AND REMEDIES

Section 10.1 Events of Default. Each of the following events is an "Event of Default":

(a) The failure to pay any installment of principal of or premium, if any, on the Local Bond when due (whether at maturity, by mandatory or optional redemption, by acceleration or otherwise).

(b) The failure to pay any installment of interest (including Supplemental Interest) on the Local Bond when due.

(c) The failure to make any other payment or deposit required by this Agreement within 15 days after its due date.

(d) The Local Government's or the R-Board's failure to perform or observe any of the other covenants, agreements or conditions of the Local Bond or this Agreement and the continuation of such failure for a period of 60 days after written notice specifying such failure and requesting that it be cured is given to the Local Government or the R-Board by VRA, or, in the case of any such failure which cannot with diligence be cured within such 60-day

period, the Local Government's or the R-Board's failure to proceed promptly to commence to cure the failure and thereafter to prosecute the curing of the failure with diligence.

(e) Any warranty, representation or other statement by or on behalf of the Local Government or the R-Board contained in this Agreement or in any instrument furnished in compliance with or in reference to this Agreement or in connection with the issuance and sale of the Local Bond is false and misleading in any material respect.

(f) Any bankruptcy, insolvency or other similar proceeding shall be instituted by or against the Local Government or the R-Board under any federal or state bankruptcy or insolvency law and, if instituted against the Local Government, is not dismissed within 60 days after filing.

(g) Any proceeding shall be instituted, with the Local Government's or the R-Board's consent or acquiescence, for the purpose of effecting a composition between the Local Government or the R-Board and their respective creditors or for the purpose of adjusting such creditors' claims under any federal or state statute now or hereafter enacted, if such claims are under any circumstances payable from the Revenues.

(h) An order or decree shall be entered, with the Local Government's or the R-Board's consent or acquiescence, appointing a receiver or receivers of the System or any part of it or of the Revenues, or if such order or decree, having been entered without the Local Government's or the R-Board's consent or acquiescence, shall not be vacated or discharged or stayed on appeal within 60 days after its entry.

(i) The occurrence of a default by the Local Government or the R-Board under the terms of any debt secured by a pledge of Revenues and the failure to cure such default or obtain a waiver thereof within any period of time permitted thereunder.

(j) The occurrence of a default by the Local Government or the R-Board under the Operational Agreement or the Interjurisdictional Agreement.

Section 10.2 Acceleration. Upon the occurrence and continuation of an Event of Default, VRA may, by notice in writing delivered to the Local Government and the R-Board, declare the entire unpaid principal of and interest on the Local Bond due and payable. Upon any such declaration, the Local Government and the R-Board shall immediately pay to the Trustee the entire unpaid principal of and accrued interest on the Local Bond, but only from the collateral and other funds specifically pledged hereby. VRA may in its discretion waive an Event of Default and its consequences and rescind any acceleration of maturity of principal of and interest on the Local Bond.

Section 10.3 Other Remedies. Upon the occurrence and continuation of an Event of Default, VRA may proceed to protect and enforce its rights by mandamus or other action, suit or proceeding at law or in equity for specific performance of any agreement contained in the Local Bond or this Agreement. No remedy conferred by this Agreement upon or reserved to the registered owners of the Local Bond is intended to be exclusive of any other remedy, but each such remedy shall be cumulative and shall be in addition to any other remedy given to VRA under this Agreement or now or hereafter existing at law or in equity or by statute.

Section 10.4 Delay and Waiver. No delay or omission to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or acquiescence in it, and every such right and power may be exercised from time to time and as often as may be deemed expedient. No waiver of any default or Event of Default under this Agreement shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent to it.

ARTICLE XI

MISCELLANEOUS

Section 11.1 State Aid Intercept. The Local Government and the R-Board acknowledges that VRA is treating the Local Bond as a "local obligation" within the meaning of Section 62.1-199 of the Act, including amendments thereto taking effect as of July 1, 2011, which in the event of a nonpayment thereunder authorizes VRA or the Trustee to file an affidavit with the Governor that such nonpayment has occurred pursuant to Section 62.1-216.1 of the Act. In purchasing the Local Bond, VRA is further relying on Section 62.1-216.1 of the Act, providing that if the Governor is satisfied that such nonpayment has occurred, the Governor will immediately make an order directing the Comptroller to withhold all further payment to the Local Government and the R-Board of all funds, or of any part of them, appropriated and payable by the Commonwealth of Virginia to the Local Government and the R-Board for any and all purposes, and the Governor will, while the nonpayment continues, direct in writing the payment of all sums withheld by the Comptroller, or as much of them as is necessary, to VRA, so as to cure, or cure insofar as possible, such nonpayment.

Section 11.2 Successors and Assigns. This Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

Section 11.3 Amendments. VRA, the Local Government and the R-Board shall have the right to amend from time to time any of this Agreement's terms and conditions, provided that all amendments shall be in writing and shall be signed by or on behalf of VRA, the Local Government and the R-Board.

Section 11.4 Limitation of Local Government's Liability. Notwithstanding anything in the Local Bond or this Agreement to the contrary, the Local Government's obligations hereunder and under the Local Bond are not its general obligations, but are limited obligations payable solely from the Revenues which are specifically pledged for such purpose. Neither the Local Bond nor this Agreement shall be deemed to create or constitute a debt or a pledge of the faith and credit of the Local Government and the Local Government shall not be obligated to pay the principal of or premium, if any, or interest on the Local Bond or other costs incident to them except from the Revenues and other funds pledged for such purpose. In the absence of fraud or intentional misconduct, no present or future director, official, officer, employee or agent of the Local Government or the R-Board shall be liable personally to VRA in respect of this Agreement or the Local Bond or for any other action taken by such individual pursuant to or in connection with the financing provided for in this Agreement or the Local Bond.

Section 11.5 Applicable Law. This Agreement shall be governed by Virginia law.

Section 11.6 Severability. If any clause, provision or section of this Agreement shall be held illegal or invalid by any court, the illegality or invalidity of such clause, provision or section shall not affect the remainder of this Agreement which shall be construed and enforced as if such illegal or invalid clause, provision or section had not been contained in this Agreement. If any agreement or obligation contained in this Agreement is held to be in violation of law, then such agreement or obligation shall be deemed to be the agreement or obligation of VRA and the Local Government, as the case may be, only to the extent permitted by law.

Section 11.7 Notices. Unless otherwise provided for herein, all demands, notices, approvals, consents, requests, opinions and other communications under the Local Bond or this Agreement shall be in writing and shall be deemed to have been given when delivered in person or mailed by first class registered or certified mail, postage prepaid, addressed (a) if to the Local Government, at the address specified for notices on the signature page; (b) if to the R-Board, at the address specified for notices on the signature page; (c) if to VRA, at 1111 East Main Street, Suite 1920, Richmond, Virginia 23219, Attention: Executive Director; or (d) if to the Trustee, at 1021 East Cary Street, 18th Floor, Richmond, Virginia 23219, Attention: Corporate Trust Department. A duplicate copy of each demand, notice, approval, consent, request, opinion or other communication given by any party named in this Section shall also be given to each of the other parties named. VRA, the Local Government, the R-Board and the Trustee may designate, by notice given hereunder, any further or different addresses to which subsequent demands, notices, approvals, consents, requests, opinions or other communications shall be sent or persons to whose attention the same shall be directed.

Section 11.8 Right to Cure Default. If the Local Government or the R-Board fails to make any payment or to perform any act required by it under the Local Bond or this Agreement, VRA or the Trustee, without prior notice to or demand upon the Local Government or the R-Board and without waiving or releasing any obligation or default, may (but shall be under no obligation to) make such payment or perform such act. All amounts so paid by VRA or the Trustee and all costs, fees and expenses so incurred shall be payable by the Local Government as an additional obligation under this Agreement, together with interest thereon at the rate of 15% per year until paid. The Local Government's and the R-Board's obligations under this Section shall survive the payment of the Local Bond.

Section 11.9 Term of Agreement. This Agreement is effective as of the Effective Date. Except as otherwise specified, the Local Government's and the R-Board's obligations under the Local Bond and this Agreement shall expire upon payment in full of the Local Bond and all other amounts payable by the Local Government and the R-Board under this Agreement.

Section 11.10 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original and all of which together shall constitute but one and the same instrument.

[Signature Pages Follow]

WITNESS the following signatures, all duly authorized.

VIRGINIA RESOURCES AUTHORITY

By: _____
Stephanie L. Hamlett, Executive Director

[Signature Page of Local Bond Sale and Financing Agreement –
City of Fredericksburg, Virginia]

CITY OF FREDERICKSBURG, VIRGINIA

By: _____

Name: _____

Title: _____

Address for Notices:

Attention: _____

[Signature Page of Local Bond Sale and Financing Agreement –
City of Fredericksburg, Virginia]

**RAPPAHANNOCK REGIONAL SOLID
WASTE MANAGEMENT BOARD**

By: _____
Name: _____
Title: _____

Address for Notices:

Attention: _____

[Signature Page of Local Bond Sale and Financing Agreement –
City of Fredericksburg, Virginia]

The Trustee, by the execution hereof, accepts the duties imposed on it by this Agreement.

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By: _____
Patricia A. Welling, Vice President

[Signature Page of Local Bond Sale and Financing Agreement –
City of Fredericksburg, Virginia]

EXHIBIT A
FORM OF LOCAL BOND

[To be provided by Local Bond Counsel]

EXHIBIT B

DESCRIPTION OF THE PROJECT

[To be provided by Local Government]

EXHIBIT C

**PENDING OR THREATENED ACTIONS, SUITS, PROCEEDINGS, OR
INVESTIGATIONS**

[To be provided by Counsel for the Local Government]

EXHIBIT D
FORM OF REQUISITION

Requisition No.

Date:

U.S. Bank National Association, as Trustee
Attention: Corporate Trust Department
1021 East Cary Street
18th Floor
Richmond, Virginia 23219

Virginia Resources Authority
1111 East Main Street
Suite 1920
Richmond, Virginia 23219
Attention: Executive Director

This Requisition, including Schedule 1 and Schedule 2 hereto, is submitted in connection with the Local Bond Sale and Financing Agreement dated as of September 25, 2015 (the "Financing Agreement") between the Virginia Resources Authority and the City of Fredericksburg, Virginia (the "Local Government"). Unless otherwise defined in this Requisition, each capitalized term used herein has the meaning given it under Article I of the Financing Agreement. The undersigned Local Representative hereby requests payment of the following amounts from the Local Account established for the Local Government in the 2015[C][D] Acquisition Fund established under the [Thirty-Third][Thirty-Fourth] Supplemental Series Indenture.

Payee:

Address:

Amount to be Paid:

Purpose (in reasonable detail) for which obligations(s) to be paid were incurred:

Attached on Schedule 2 are the wire instructions for this requisition, and also attached hereto is an invoice (or invoices) relating to the items for which payment is requested.

The undersigned certifies that (i) the amounts requested by this Requisition will be applied in accordance with the Local Tax Document and solely and exclusively to the payment, or the reimbursement of the Local Government, Stafford County or the R-Board for its payment, of Project Costs of the construction portion of the Project, (ii) no notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the money payable under the Requisition to any of the persons, firms or corporations named in it has been received, or if any notice of any such lien, attachment or claim has been received, such lien, attachment or claim has been released or discharged or will be released or discharged upon payment of the Requisition, and (iii) this Requisition contains no items representing payment on account of any retained percentage entitled to be retained at this date.

If this Requisition includes payments for labor or to contractors, builders or materialmen, the attached Certificate of Consulting Engineer must be completed. If this Requisition includes payments for any lands or easements, rights or interest in or relating to lands, the attached Certificate of the Consulting Engineer must be completed and there must be attached to this Requisition a certificate signed by a Local Representative stating that upon payment therefor the Local Government, Stafford County and/or the R-Board will have title in fee simple to, or easements, rights or interests sufficient for the purposes of the construction portion of the Project over or through such lands.

The Local Government has agreed in the Financing Agreement that any amounts it receives pursuant to this Requisition will be (i) immediately applied to reimburse the Local Government, Stafford County or the R-Board for Project Costs it has already paid or (ii) actually spent to pay Project Costs not later than five banking days after receipt.

Local Representative

SCHEDULE 1

Form to Accompany Requisition

Requisition # _____
Recipient: City of Fredericksburg – VRA 2015[C][D]
Local Representative: _____
Title: _____
Date: _____

<u>Cost Category</u>	<u>Total Project Cost</u>	<u>Previous Disbursements</u>	<u>Disbursement This Period</u>	<u>Disbursements to Date</u>	<u>Remaining Balance</u>
	\$	\$	\$	\$	\$
TOTALS	\$	\$	\$	\$	\$

SCHEDULE 2

Wire Instructions for Requisition

[To be provided by the Local Government]

CERTIFICATE OF CONSULTING ENGINEER

The undersigned Consulting Engineer for the R-Board hereby certifies that (i) insofar as the amounts covered by this Requisition include payments for labor or to contractors, builders or materialmen, such work was actually performed or such materials, supplies or equipment were actually furnished or installed in or about the Project, and (ii) insofar as the amounts covered by the Requisition include payments for land or easements, rights or interests in or relating to lands, such lands, easements, rights or interests are being acquired by the Local Government, Stafford County and/or the R-Board, as applicable, and are necessary or convenient for the undertaking and completion of the Project.

Date: _____

Consulting Engineer

EXHIBIT E
OPERATING DATA

Description of Local Government. A description of the Local Government including a summary description of the System.

Debt. A description of the terms of the Local Government's outstanding debt including a historical summary of outstanding debt and a summary of annual debt service on outstanding debt as of the end of the preceding fiscal year. The annual disclosure should also include (to the extent not shown in the latest audited financial statements) a description of contingent obligations as well as pension plans administered by the Local Government and any unfunded pension liabilities.

Financial Information and Operating Data. Financial information for the System as of the end of the preceding fiscal year prepared by the R-Board, including a description of revenues and expenditures, largest users, a summary of rates, fees and other charges of the System, and a historical summary of debt service coverage.

EXHIBIT F

FORM OF OPINION OF COUNSEL TO THE LOCAL GOVERNMENT

[Print on the Letterhead of Counsel for the Local Government]

_____, 2015

Fredericksburg City Council
City of Fredericksburg, Virginia

Virginia Resources Authority
Richmond, Virginia

\$ _____
City of Fredericksburg, Virginia
[Solid Waste System Revenue Bond
Series 2015]

Ladies and Gentlemen:

I have acted as counsel to the City of Fredericksburg, Virginia (the "Local Government"), in connection with the issuance and sale by the Local Government of its \$ _____ [Solid Waste System Revenue Bond, Series 2015] (the "Local Bond"), the net proceeds of which will be applied to finance the Project (as defined in the hereafter defined Financing Agreement) and in such capacity, I have examined, among other things, the following documents:

- (a) a certified copy of the Local Authorization (as defined in the Financing Agreement), authorizing the issuance and sale of the Bond to Virginia Resources Authority ("VRA") to finance the Project;
- (b) a copy of the Local Bond Sale and Financing Agreement (the "Financing Agreement") dated as of September 25, 2015, and between the Local Government and the Virginia Resources Authority ("VRA"); and
- (c) a copy of the Local Tax Document, Interjurisdictional Agreement and Operational Agreement (as defined in the Financing Agreement).

The documents referred to in clauses (b) and (c) above are referred to collectively as the "Local Bond Documents."

I have also examined such other records and proceedings of the Local Government and conducted such investigations as I deemed appropriate and necessary for purposes of this opinion.

Unless otherwise defined, each capitalized term used in this opinion has the same meaning given to such term in the Financing Agreement.

As to questions of fact material to the opinions and statements set forth herein, I have relied upon representations of the Local Government set forth in the Local Bond Documents and other certificates and representations by persons including representatives of the Local Government. Whenever an opinion or statement set forth herein with respect to the existence or absence of facts is qualified by the phrase "to the best of my knowledge" or a phrase of similar import, it is intended to indicate that during the course of my representation of the Local Government in connection with the Local Bond Documents no information has come to my attention that should give me current actual knowledge of the existence or absence of such facts. Except to the extent expressly set forth herein, I have not undertaken any independent investigation of the existence or absence of such facts, and no inference as to my knowledge or the existence or absence of such facts should be drawn from the fact of my representation or any other matter.

Based upon such examination and assuming the authorization, execution, delivery and enforceability of all documents by parties other than the Local Government, I am of the opinion that:

1. The Local Government is a duly created and validly existing municipal corporation of the Commonwealth of Virginia and is vested with the rights and powers conferred upon it by Virginia law.

2. The Local Government has full right, power and authority to (i) adopt the Local Authorization and execute and deliver the Local Bond Documents and all related documents, (ii) undertake the Project as a member of the R-Board and (iii) carry out and consummate all of the transactions contemplated by the Local Authorization, the Local Bond Documents, the Operational Agreement and the Interjurisdictional Agreement, including owning a portion of the System.

3. The Local Bond Documents were duly authorized by the Local Authorization and the Financing Agreement is in substantially the same form as presented to the Governing Body at its meeting at which the Local Authorization was adopted.

4. All governmental permits, licenses, registrations, certificates, authorizations and approvals required to have been obtained as of the date hereof have been obtained for (i) the Local Government's adoption of the Local Authorization, (ii) the execution and delivery of the Local Bond Documents and the Local Bond, (iii) the Local Government's performance of its obligations under the Local Bond Documents, the Local Bond, the Operational Agreement and the Interjurisdictional Agreement, and (iv) to the best of my knowledge, the use of the Related Financed Property and the System. I know of no reason why any such required governmental permits, licenses, registrations, certificates, authorizations or approvals cannot be obtained as required in the future.

5. The Financing Agreement has been executed and delivered by duly authorized officials of the Local Government and constitutes a legal, valid and binding obligation of the

Local Government enforceable against the Local Government in accordance with its terms. The Local Bond has been executed and delivered by duly authorized officials of the Local Government and will constitute a legal, valid and binding limited obligation of the Local Government enforceable against the Local Government in accordance with its terms.

The obligations of the Local Government under the Financing Agreement and the Local Bond, and the enforceability of such obligations, may be limited or otherwise affected by (i) bankruptcy, insolvency, reorganization, moratorium and other laws affecting the rights of creditors generally, (ii) principles of equity, whether considered at law or in equity, (iii) the exercise of sovereign police powers of the Commonwealth of Virginia, and (iv) rules of law which may limit the enforceability on public policy grounds of any obligations of indemnification undertaken by the Local Government.

6. The issuance of the Local Bond and the execution and delivery of the Local Bond Documents and the performance by the Local Government of its obligations thereunder are within the powers of the Local Government and will not conflict with, or constitute a breach or result in a violation of (i) any federal or Virginia constitutional or statutory provision, (ii) to the best of my knowledge, any agreement or other instrument to which the Local Government is a party or by which it is bound or (iii) any order, rule, regulation, decree or ordinance of any court, government or governmental authority having jurisdiction over the Local Government or its property.

7. The Local Government, to the best of my knowledge, is not in default in the payment of the principal of or interest on any of its indebtedness for borrowed money and is not in default under any instrument under and subject to which any indebtedness for borrowed money has been incurred. To the best of my knowledge, no event or condition has happened or existed, or is happening or existing, under the provisions of any such instrument, including but not limited to the Financing Agreement, which constitutes, or which, with notice or lapse of time, or both, would constitute an event of default thereunder.

8. The Local Government (i) to the best of my knowledge, is not in violation of any existing law, rule or regulation applicable to it in any way which would have a material adverse effect on its financial condition or its ability to perform its obligations under the Local Bond or the Local Bond Documents and (ii) is not in default under any indenture, mortgage, deed of trust, lien, lease, contract, note, order, judgment, decree or other agreement, instrument or restriction of any kind to which the Local Government is a party or by which it is bound or to which any of its assets is subject, which would have a material adverse effect on its financial condition or its ability to perform its obligations under the Local Bond and the Local Bond Documents. The execution and delivery by the Local Government of the Local Bond and the Local Bond Documents and the compliance with the terms and conditions thereof will not conflict with, result in a breach of or constitute a default under any of the foregoing.

9. Except as set forth in the Financing Agreement, there are not pending nor, to the best of my knowledge, threatened against the Local Government, any actions, suits, proceedings or investigations of a legal, equitable, regulatory, administrative or legislative nature (i) affecting the creation, organization or existence of the Local Government or the title of its officers to their respective offices, (ii) seeking to prohibit, restrain or enjoin the approval, execution, delivery or

performance of the Local Authorization or the Local Bond Documents or the issuance or delivery of the Local Bond, (iii) in any way contesting or affecting the validity or enforceability of the Local Bond, the Local Authorization, the Local Bond Documents or any agreement or instrument relating to any of the foregoing, (iv) in which a judgment, order or resolution may have a material adverse effect on the Local Government or its business, assets, condition (financial or otherwise), operations or prospects or on its ability to perform its obligations under the Local Authorization, the Local Bond Documents or the Local Bond, or (v) affecting the undertaking of the Project.

Very truly yours,

EXHIBIT G

FORM OF CERTIFICATION AS TO NO DEFAULT AND TAX COMPLIANCE

[DATE]

[Insert Name]

Compliance & Financial Analyst
Virginia Resources Authority
1111 East Main Street, Suite 1920
Richmond, VA 23219

Dear [Mr./Ms.] _____:

In accordance with Section 9.4 of the Local Bond Sale and Financing Agreement dated as of September 25, 2015 (the "Financing Agreement") between Virginia Resources Authority and the City of Fredericksburg, Virginia (the "Local Government"), I hereby certify that, during the fiscal year that ended June 30, _____, and through the date of this letter:

1. [No event or condition has happened or existed, or is happening or existing, which constitutes, or which, with notice or lapse of time, or both, would constitute, an Event of Default as defined in Section 10.1 of the Financing Agreement.] [If an Event of Default has occurred, please specify the nature and period of such Event of Default and what action the Local Government has taken, is taking or proposes to take to rectify it].
2. [The ownership and status of all or a portion of the Related Financed Property has not changed since the Closing Date.] [If untrue, please describe.]
3. [Neither the Related Financed Property nor any portion thereof is being used by a Nongovernmental Person pursuant to a lease, an incentive payment contract or a take-or-pay or other output-type contract.] [If untrue, please describe.]
4. [Neither the Related Financed Property nor any portion or function thereof is being used pursuant to or is otherwise subject to a Service Contract that does not satisfy the requirements of Revenue Procedure 97-13, as modified by Revenue Procedure 2001-39 and IRS Notice 2014-67.] [If untrue, please describe.]
5. [Other than as may be described in paragraphs 2, 3 and 4 above, neither the Related Financed Property nor any portion or function thereof nor any portion of the Proceeds is being used for a Private Business Use.] [If untrue, please describe.]

6. [The Local Government has not used or permitted the use of any Proceeds of the Local Bond directly or indirectly to make a loan to an ultimate borrower other than itself within the meaning of Section 4.3 of the Local Tax Document.] [If untrue, please describe.]
7. [Other than any amounts described in the Local Tax Document (as defined in the Financing Agreement), between VRA and the Local Government and amounts that may constitute or be on deposit in a Bona Fide Debt Service Fund, there neither have been nor are now any moneys, securities, obligations, annuity contracts, residential rental property, AMT Bonds, investment-type property, Sinking Funds, Pledged Funds, or other Replacement Proceeds accumulated or held or pledged as security by the Local Government or any other Substantial Beneficiary of the Local Bond as security for or the direct or indirect source of the payment of the principal of or interest on the Local Bond.] [If untrue, please describe.]
8. [The Local Government is in compliance with the recordkeeping requirements of Section 4.9 of the Local Tax Document.] [If untrue, please describe.]
9. [Other than as may be described above, the Local Government is not in default of any of its obligations under the Local Tax Document.] [If untrue, please describe.]
10. Unless otherwise defined herein, each capitalized term used herein has the meaning set forth in the Local Tax Document.

Sincerely,

[Insert Name]
Local Representative

EXHIBIT H

DESCRIPTION OF SPECIAL USE ARRANGEMENTS

EXHIBIT I
FORM OF ANNUAL BUDGET

[DATE]

Executive Director
Virginia Resources Authority
1111 East Main Street, Suite 1920
Richmond, VA 23219

Ladies and Gentlemen:

Pursuant to the Financing Agreement[s] between Virginia Resources Authority and the City of Fredericksburg, Virginia, dated as of [add dates of all outstanding Financing Agreements], a copy of the fiscal year [20xx] annual budget is enclosed. Such annual budget provides for the satisfaction of the rate covenant as demonstrated below.

Gross Revenues	Debt Service	*Coverage (Gross Revenues Available for Debt Service)
<hr/>		

Unless otherwise defined herein, the capitalized terms used in this Certificate shall have the meanings set forth in the Financing Agreement[s].

Very truly yours,

By: _____

Its: _____

EXHIBIT J
EXISTING PARITY BONDS

SCHEDULE 1.1

FINAL TERMS

Principal Amount of Related Series of VRA
Bonds

Principal Amount of Local Bond

Purchase Price

The Purchase Price was determined as follows: by adding to the par amount of the portion of the Related Series of VRA Bonds (\$_____), the Local Government's share of the net premium on the Related Series of VRA Bonds (\$_____) and by subtracting from the par amount of the Related Series of VRA Bonds the Local Government's share of VRA's Expenses set forth in Section 3.2 (\$_____) and the Local Government's share of the deposit on the Closing Date to a VRA Reserve (\$_____).

ADDITIONAL CONDITIONS PRECEDENT TO PURCHASE OF LOCAL BOND:

**ADDITIONAL CONDITIONS PRECEDENT TO FIRST REQUISITION OF PROCEEDS
OF LOCAL BOND:**

PROJECT BUDGET

Sources

Par Amount

Premium

Estimated Earnings

Total Sources

Uses

Construction

Design & Engineering

Deposit to Escrow Fund

Local Costs of Issuance

VRA Costs of Issuance

Capital Reserve Fund - Partial Allocation

Underwriter's Discount

Contingency

Total Uses

INTEREST RATES AND PAYMENT SCHEDULE FOR LOCAL BOND

City of Fredericksburg, Virginia
Virginia Pooled Financing Program – Solid Waste Revenue Pledge
Terms and Conditions

Below is an outline of the proposed principal terms and conditions for the type of financing requested in the City of Fredericksburg application for funding from the Fall Series 2015 Virginia Pooled Financing Program (“VPFP”), which has been authorized by the Credit Committee of Virginia Resources Authority (“VRA”). The final terms and conditions will be set forth in the Local Bond Sale and Financing Agreement between VRA and the City of Fredericksburg, which will be executed in advance of the Fall Series 2015 VPFP bond pricing in November 2015. The following proposed terms are valid through December 31, 2015.

Borrower:	City of Fredericksburg, Virginia (the “Borrower”)
Amount:	Requested proceeds of up to \$2,250,000 plus costs of issuance (Any changes in the Requested Proceeds amount should be submitted by September 18, 2015)
Purpose:	To finance the construction of a landfill cell at the Rappahannock Regional Landfill for an eight-year term (the “Project”), together with related expenses
Security:	Assignment of solid waste system revenues of the Rappahannock Regional Solid Waste Management Board (“R-Board”), which is a joint venture of the County of Stafford, Virginia (“Stafford”) and the Borrower
Rate Covenant:	Borrower may select from one of the following rate covenant scenarios: <ol style="list-style-type: none">(1) Gross revenues allocable to the Borrower by the R-Board will be 6.0x the annual debt service of the proposed loan, tested annually based on the audited financial statements of the R-Board; OR(2) Net revenues allocable to the Borrower by the R-Board will be 1.0x the annual debt service on the proposed loan, tested annually based on the audited financial statement of the R-Board; under this scenario, the R-Board will establish a 60-day operating reserve fund based on budgeted annual operating expenses; transfers from the operating reserve fund may be included in the revenue definition for debt service coverage purposes; if the operating reserve fund is drawn on in any given fiscal

City of Fredericksburg, Virginia
Virginia Pooled Financing Program – Solid Waste Revenue Pledge
Terms and Conditions

year, the R-Board covenants to replenish the operating reserve fund within six months to a level at least equal to 60 days of budgeted annual operating expenses

Other Conditions:

Borrower covenants not to amend the operating agreement dated as of January 24, 2000 between the Borrower and Stafford without consent from VRA;

Borrower will not withdraw from the operating agreement dated as of January 24, 2000 between the Borrower and Stafford while the proposed debt is outstanding;

Notice to VRA of definite intent to participate in fall 2015 VPFP transaction no later than September 25, 2015¹

**Highlighted
Documentation:**

- Certified copies of the local resolution or ordinance authorizing the proposed financing
- Statement of no material adverse change in condition for the Borrower since Fiscal Year Ending June 30, 2014

Legal Opinions:

Customary opinions as to authorization, validity, no litigation, and no private activity and other matters requested by the VRA

General Covenants:

To include those customary for these types of transactions, including events of taxability and others that are appropriate in the context of the financing

Payment Dates:

April 1 - Interest
October 1 – Principal and interest

**Final Local Bond
Maturity:**

No later than October 1, 2024

¹ *If a material adverse change has occurred in the financial condition of the Borrower as indicated in the financial statements, application and other information furnished to VRA between the date of the Borrower's loan application to the VPFP and the VPFP bond pricing, VRA reserves the right to withdraw or alter the terms of this commitment in its sole discretion.*

City of Fredericksburg, Virginia
Virginia Pooled Financing Program – Solid Waste Revenue Pledge
Terms and Conditions

**VRA Loan Origination
Fee:**

12.5 basis points of par amount and added to costs of issuance

**Annual Administrative
Fee:**

12.5 basis points of outstanding principal and payable with interest payments on the loan

**Annual Pass-through
fees:**

Annual trustee fees; allocable costs associated with arbitrage rebate calculations

Acknowledgement:

The foregoing terms and conditions are hereby acknowledged the _____ day of _____, 2015.

By: _____

Its: _____

VRA Contact:

Peter D'Alema
Director of Program Management
1111 East Main Street
Suite 1920
Richmond, VA 23219
804-616-3446
pdalema@virginiaresources.org

August 28, 2015